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CONGRESSIONAL BUDGET PROCESS

HEARINGS

BEFORE THE

TASK FORCE ON THE BUDGET PROCESS

OF THE

COMMITTEE ON RULES HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

SECOND SESSION

TO REVIEW THE CONGRESSIONAL BUDGET PROCESS SINCE THE ADOPTION OF THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974

FEBRUARY 8, AND 9, 1984

PART 3

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CONGRESSIONAL BUDGET PROCESS

WEDNESDAY, FEBRUARY 8, 1984

HOUSE OF REPRESENTATIVES,
TASK FORCE ON THE BUDGET PROCESS,
COMMITTEE ON RULES,
Washington, D.C.

The task force met, pursuant to notice, at 10:20 a.m., in room H-313, the Capitol, Hon. Anthony C. Beilenson (chairman of the task force) presiding.

Present: Representatives Beilenson, Daub, Derrick, Bonior, Frost, Panetta, Murtha, Penny, and Gregg.

OPENING STATEMENT OF HON. ANTHONY C. BEILENSON, CHAIRMAN OF THE TASK FORCE ON THE BUDGET PROCESS

Mr. BEILENSON. Today the Task Force on the Budget Process is holding its first of 2 days of hearings on our proposals to improve the congressional budget process.

We have asked the witnesses who are testifying today and tomorrow to present their views on either, or both, of the two comprehensive proposals the task force has drafted. We anticipate using the testimony we receive to help us determine whether additional refinements are needed before our recommendations are submitted to the full Rules Committee.

One of our proposals, the single budget resolution approach, formalizes the practice of adopting one budget resolution each year. It incorporates many of the features which have evolved in practice in recent years, such as using reconciliation to direct changes in laws which determine levels of spending for entitlements and other mandatory programs

Our other proposal, the comprehensive budget bill approach, establishes a system for handling the budget which is considerably different from our existing procedures. Under that proposal, which builds upon Representative David Obey's idea of combining all spending and revenue legislation in one legislative package, Congress would have to agree to budget totals at the same time we adopt spending, credit, and revenue legislation.

The two drafts have several features in common. They both reflect the views held by members of the task force that our current schedule should be accelerated, so that we can complete our budget work by the start of the fiscal year; that the process should be as comprehensive as possible, without any loopholes or biases that would allow certain forms of Federal support to get preferential treatment; and that the system of controls should be as simple, fair, consistent, and practicable as possible. To those ends, both

proposals provide for a schedule whereby the House would complete work on budget legislation—appropriations bills and reconciliation—by the end of June. Both bring off-budget activities on budget, and add new controls for credit, tax expenditures, and new financing mechanisms that would otherwise escape budget review. And, in both proposals the system of controls is keyed to a committee's budget allocations, so that committees are held responsible for the portion of the budget allocated to them.

Before we hear from today's witnesses, I would like to announce tomorrow's schedule. We shall start at 10 a.m., not at 9, as the notices we sent out state. Your offices have been notified by phone of this time change. Our hearing will begin with testimony from Rudy Penner, Director of CBO, followed by Assistant Comptroller General Harry Havens. Then we shall hear from our colleagues Silvio Conte, Norm Mineta; then Dave Obey, Ed Bethune, and Mickey Edwards, who will appear as a panel. Our last witness will be former Rules Committee Chairman Dick Bolling.

Today we have just three witnesses: our colleague, Bill Gradison, who will be followed by Elmer Staats—former Comptroller General—and then Allen Schick. We appreciate the time our witnesses have taken to be with us today.

Our first witness this morning is the Honorable Bill Gradison, who serves on the Ways and Means Committee and the Budget Committee and who has worked on the budget process for many years, and some of whose contributions this task force has filched and incorporated into our proposals.

I would like to say, also, if I may, Mr. Gradison, we appreciate very much your having made available to us these past months Ron Boster from your staff who has been extremely helpful to us.

We are glad to have you here.

STATEMENT OF HON. WILLIS D. GRADISON, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. GRADISON. I appreciate the invitation to testify before this task force.

The work of this task force may translate into the most constructive and lasting accomplishment of this Congress. Conventional wisdom holds that this will be less than a banner year for Congress. Action on the deficit heads the list of unlikely events.

But a significant opportunity lies within the conventional wisdom this election year. We might, for example, focus on putting in place a new budget process, so that when our collective courage returns—presumably, after November—we will have an improved framework within which to respond to the deficit problem.

Today, I would like to present my views on the two draft proposals that have been developed. First, I plan to make some general comments regarding the two proposals and why I favor one over the other. Then, I want to focus on the off-budget and credit issues which, I am glad to see, are treated identically in both proposals.

The task force and its staff have obviously worked hard, not only to produce the two proposals, but to balance the many conflicting special interests that impinge on the congressional budget process.

I evaluated these proposals with an eye toward budgetary neutrality, consistent with my view of what an optimal budget process should be. A budget process ought to provide a flexible framework within which fiscal policy can be made efficiently; it should not favor taxing over spending, credit over noncredit, controllables over uncontrollables, off-budget over on-budget. It should not have unnecessary redundancy; it should be "real", in that important decisions attach to the process itself.

COMPREHENSIVE APPROACH

At first glance, the "comprehensive" approach has considerable appeal. The argument that the process should be "real" and that existing redundancies be excised or minimized are indisputable. On paper, the approach appears to achieve these goals. In practice, I think it would prove unworkable, or nearly so. Equally important, I also believe its design takes the process in the wrong direction.

This option is flawed because it moves away from what budgeting ought to be. Whether for households, businesses, or governments, budgeting should be a two-step process: first, the size of the budget should be determined; then—and only then—should the expenses—programs—be distributed within the budget.

The comprehensive approach is just the opposite: first, it distributes the parts, and then it adds up the total: it is an "adding-on" process rather than a "planning" process. Under this proposal, the "budget plan" is little more than the sum total of spending and taxing levels determined previously in an essentially ad hoc manner, and without the benefit of the Congress having first set down a benchmark.

Meaningful fiscal planning is lacking. The entire Congress would not have the opportunity or the obligation to first establish a blueprint to guide the construction of fiscal policy.

This is why the notion of a budget resolution acquires its desirability. Any worthwhile project deserves a plan, and fiscal policymaking is no exception. Creating a plan, then, is not a waste of time; it is real.

It is true that much of the time we have spent debating and voting on budget resolutions has taken on a circus appearance, but it does not follow that budget resolutions per se are the culprit. The wasteful and unproductive aspects of some past debates can be avoided without interfering with anyone's rights, save those who are bent on obfuscation.

Therefore, I believe any new congressional budget process should retain as its centerpiece the notion of a budget resolution, to be used as a planning guide by the Congress as various budget-related proposals are considered. To be sure, the resolution should have more teeth than in the current process; as far as I'm concerned, the more teeth the better.

SINGLE BUDGET RESOLUTION APPROACH

Despite the common rhetoric, the current budget process has worked well, at least by criteria I would choose. It has provided a flexible institutional framework within which to make fiscal policy; it has raised Members' understanding of the budget and of macro-

economics; and it has forced major debates each year on these matters.

There is no doubt in my mind that spending is substantially lower than what it would have been in the absence of the 1974 Budget Act. This arises, primarily, from the prohibition on new back door spending and the crucial role of the Congressional Budget Office in analyzing and making public the costs of programs, both existing and proposed.

I would remind my conservative colleagues that it was only by virtue of the current process, mainly, a modification of the intended use of reconciliation, which made Gramm-Latta I and Gramm-Latta II a reality, that the Reagan agenda was so successful in 1981 and 1982.

Yet we know that the current process is far from optimal: it lacks sufficient teeth to enforce policy embodied in budget resolutions; it operates, in effect, on only a portion of the total budget—off-budget spending is all but ignored; despite significant progress, credit programs remain largely outside the process; the largest part of the budget, the "base"—including prior-year outlays and entitlements, and comprising nearly 80 percent of the budget—enjoys preferential status; the timetable is crowded if not unrealistic.

No amount of procedures and sanctions can ever make Congress do what it will not do; leadership is indispensable. But it is possible to craft a budget process which will make it possible for leadership to be more effective.

The best approach lies in modifying the current process rather than scrapping it for a radically different approach. The "Single Resolution" plan is the general approach that should be taken. This is not to say that I embrace this process in every detail. But taken as a whole, this option is already beyond the proverbial "starting point" or, to use the current rage, "down payment". In my judgment, it is the type of new process that can and should emerge from this Congress as the first major change to the 1974 Budget Act.

TREATMENT OF OFF-BUDGET AND CREDIT PROGRAMS

I would now like to focus on two of my major concerns—treatment of off-budget status and credit programs.

Off-budget and credit are issues of scope and coverage. It is hard to argue that the congressional budget process should be less rather than more inclusive. I am encouraged that both options before the task force agree on the desirability and the method of eliminating off-budget spending and of providing a more effective mechanism for including Federal credit programs within the budget process.

Credit and off-budget are separate issues, but because virtually all off-budget spending constitutes credit programs, changing the way one is treated will necessarily have a significant impact on the other.

Senator Trible and I have introduced legislation which I regard as complimentary to the proposals before the task force. I would like to review this initiative, and relate it to the proposal now

before the task force. Sometimes, it is desirable to proceed toward the same goal on separate tracks.

Our approach is narrower than the proposals before the task force. It focuses on correcting the accounting malpractice currently used for recording agency transactions with the Federal Financing Bank [FFB]. This involves 78 percent of all off-budget spending, and all of it involves credit programs.

Since its establishment in 1974, the FFB has been the Government's centralized agent for agency borrowing. The FFB has performed this function well, saving the Government millions of dollars. However, the FFB has also become the unintended engine for the proliferation in off-budget spending. This arises, primarily, from accounting practices, required by law, but which nevertheless, in my opinion, are wrong. The problem is twofold. The first is the recording of what is actually agency borrowing as sales of loans or loan assets—such as certificates of beneficial ownership.

The second involves spending that occurs whenever the FFB purchases loan guarantees issued by other agencies. This operation converts Government loan guarantees into direct Government loans. The guarantees are not financed in private capital markets—which, I would argue, is the intent. The spending is off-budget and the resulting direct loans are not backed by budget authority because the original loan guarantees, as for all loan guarantees, are excluded from being classified as budget authority by the Budget Act. That loan guarantees are exempt from budget authority—which may make sense—is not the defect; the problem is that the direct loans which result from the FFB's financing of loan guarantees escape the scrutiny of the budget process.

Senator Trible and I have introduced legislation—in the House, H.R. 4629, the Truth-In-Budgeting Act of 1984—to correct these deficiencies. The approach we have taken, however, differs from previous attempts. Past efforts by Representatives Gibbons and Holt have focused on correcting the problem agency by agency. The problem with this approach is that agencies and their backers who enjoy the off-budget haven provided by the FFB are understandably loath to give up their sanctuary. Not surprisingly, these well-intentioned attempts were unsuccessful.

The approach we have taken recognizes that the FFB itself is under the general jurisdiction of the Ways and Means and the Banking Committees. Accordingly, our legislation would correct the current improper FFB accounting practices, and do so solely within the jurisdiction of these committees. I am pleased that Mr. LaFalce of the Banking Committee has introduced similar legislation and I believe has scheduled hearings on it.

Specifically, H.R. 4629 would require all transactions with the FFB to be recorded in the accounts of the originating agency and in the unified budget. This would result in a budget which more accurately shows cash outlays and a truer deficit. The total deficit would be unchanged. The bill would go a long way toward restoring a truer representation of the Government while maintaining the recognized economies of centralized financing that the FFB provides so well.

I was pleased to read the following in the President's Budget:

The Administration continues its strong commitment to control Federal direct loans and loan guarantees. It has supported the basic intent of proposed legislation to move off-budget Federal lending into the unified budget. It seeks other basic reforms in the way in which direct loans and loan guarantees are presented and controlled.

The chairman of the Ways and Means Committee has agreed to hold hearings on H.R. 4629 in conjunction with that committee's consideration of upcoming debt legislation, which may be a vehicle for bringing H.R. 4629 to the floor.

I believe this legislation can be enacted this year. Nothing would please me more than to see this legislation pass as part of a more comprehensive overhaul of the off-budget and credit accounting contained in legislation implementing a new congressional budget process. In this you have my unqualified support.

Senator Trible and I are also working on legislation that will, I believe, correct the major problem with the budgeting of credit programs—namely, not knowing their true cost. Presently, we simply do not know the true cost of loan programs. We only know that loans are different than cash outlays. We are currently working with CBO to develop mechanisms that would reveal the true cost of credit programs. Instead of the Government holding loans, the concept is to sell loans and loan assets to the public shortly after they are made. The difference between par and the sale price represents the subsidy, or true cost of the loan.

We are at an early stage in the development of this legislation. Here, too, I regard this legislation as fully complimentary to the efforts of this task force, and hope it can be included when it is more completely developed.

Thank you, Mr. Chairman, and let me just close by congratulating you and the members of your task force on a job well done. You have really focused on the issues, and in frankness, the package I have endorsed here, if enacted just the way it is presented, would be a major improvement over what we have to date.

Mr. BEILENSON. Thank you.

Mr. DAUB. I thank the gentleman from Ohio for his good testimony and the support for his position.

Obviously, when the chairman acknowledged your presence this morning, he acknowledged the filching that may have occurred from time to time of the ideas the gentleman has offered, and we appreciate your continuing your work on your project.

Mr. BEILENSON. If the gentleman will yield, I thought that we had taken at least your older proposals more or less in toto. Apparently you are now working on different proposals.

Could you or Mr. Boster explain the differences between our approach and the one that you are working on, and tell us whether or not you think our approach is a fairly adequate one?

Mr. GRADISON. We have modified our earlier approach, the approach that Senator Trible and I were working on last year to try to deal with the objections that were raised by certain agencies.

Frankly, we have not been able to satisfy all parties, but we have tried one by one to deal with those concerns that were expressed which brought to our attention inadvertent results from our earlier proposal that needed to be modified.

With regard to your more fundamental question, I think Mr. Boster would be in a better position to answer that.

Mr. DAUB. There is no change, then, on the idea of bringing the Federal Financing Bank into the language that you seek in this first draft?

Is that what you said before and what you are saying now? That part has not changed?

Mr. GRADISON. No.

Mr. BOSTER. The fundamental changes that have been changed are to clarify that the entities working outside the FFB by going to private markets will continue to be able to do so. These were concerns expressed by the mortgage bankers. We clarified that language.

In a broader sense, and as Mr. Gradison mentioned, this proposal works only within the jurisdiction of the Ways and Means and Banking Committees. Your proposal fully incorporates that effort.

Your proposal simply goes beyond the jurisdictions of Ways and Means and Banking.

Mr. BEILENSON. Generally speaking, you are not displeased with what we have here?

Mr. BOSTER. No. That would be an understatement.

Mr. BEILENSON. We would be more than happy to see any changes you are making in your own proposed legislation.

Mr. BOSTER. The second effort that was mentioned is at an early stage, and that has to do with the market plan, the notion of selling loans shortly after they are made in order to determine their true cost. I have been working with your staff on that and we are keeping them updated and I will continue to do so.

Mr. BEILENSON. I thought you were part of our staff. We have always treated you as such.

Mr. DAUB. If REA and FHA go out to a private market, they will resolve any collision.

Mr. GRADISON. I anticipate we will have objections from many of the farm credit organizations, because they are the largest part of this and do more than any other agencies, at least in total dollars to convert their activities off-budget through the use of the Federal Financing Bank.

This is not intended in anyway to affect decisions which Congress may make with regard to them, but rather, to put them on a level playing field programs which, from a financial point of view, have the same impact on the amount of credit the Federal Government seeks in the market.

We have tailored our bill to fall within the jurisdiction of the Committee on Ways and Means which does not go beyond the Federal Financing Bank.

Obviously, there are other fairly large off-budget activities and I imagine the largest is the strategic petroleum reserve, and that is more in the jurisdiction of others.

Mr. DAUB. Thank you.

Mr. BEILENSON. Are there any other questions of Mr. Gradison?

Mr. Bonior.

Mr. BONIOR. I would like to take advantage of your knowledge on this because I am not very knowledgeable at all on it.

Could you just give me a very quick lesson in the scope of the problem in terms of, first of all, what agencies are we talking about?

Mr. GRADISON. The REA——

Mr. BEILENSON. Let me break in for a moment.

We specifically itemized in section 406(a) the off-budget entities that we are talking about, which would be included in the totals of the President's budget and the Congress' budget. The entities are: the Federal Financing Bank, the Rural Electrification Administration, Rural Telephone Bank, strategic petroleum reserve account, United States Synthetic Fuels Corporation, United States Railway Association, the Federal Old-Age and Survivors Trust Fund, the Federal Disability Insurance Trust Fund, and the Health Insurance Trust Fund.

Mr. GRADISON. Farmers Home Administration runs the major on-budget programs which are converted to off-budget status by the way FmHA uses the FFB. The REA is already off-budget, but is able to show its spending in the FFB's accounts.

Mr. BONIOR. So there would be about half a dozen?

Mr. GRADISON. Yes.

Mr. BEILENSON. Mr. Frost.

Mr. FROST. I would like to take a moment to say something to Mr. Gradison publicly that I have said to him privately, on a totally unrelated matter, although it does deal with budgeting.

That is the question of whether there should be a line-item veto. That is a two-edged sword which could be used by one type of program against another type of program and another President against another type of program. It is not a wise thing to do, and I am in agreement with Mr. Gradison on that point. I think he has analyzed that.

Mr. DAUB. FHA is on a revolving fund.

Mr. BOSTER. They are able, in effect, to transfer their activity to off-budget status.

Mr. DAUB. That may be the second function you are talking about, when they sell.

Mr. BEILENSON. Should we be including them specifically by name in our proposal?

Mr. BOSTER. I believe it would be covered. In the budget, the Farmers Home Administration looks like a fairly inocuous on-budget agency because it has the capability of transferring its activities to the off-budget FFB.

Mr. DERRICK. What are you talking about with the Federal Financing Bank?

Mr. GRADISON. The total outstanding obligations.

The annual is $10 or $15 billion. That has been the range in recent years.

Mr. BOSTER. For fiscal year 1984, it is estimated to be $12.7 billion and total off-budget spending is estimated to be $16.1 billion.

Mr. GRADISON. It is not a large amount relative to the size of the deficit. It does not fool anybody who looks at the total amount of the Federal borrowing; and if this is Congress intention, we will continue that way. It means certain programs are able to obtain access to the credit market through the Federal Financing Bank more readily than others.

Mr. DERRICK. Are not military sales financed through this?

Mr. GRADISON. That is correct.

Mr. DERRICK. I agree with you.

Mr. GRADISON. If I may say further to the gentleman, there may well be good reasons, political and otherwise, for continuing things as they are. But I would suggest that the way the accounting is handled today for the FFB it is an unintended result. I don't think there was any idea when the FFB was created that certain agencies would be able to use it as a means of converting their activities to off-budget status.

Now that we have been going along this way and these agencies have been accustomed to operating in this way, Congress may examine it and decide that is the way they want to go, but I think it would be revisionism to say what we are doing today is what was intended.

I do not really think that is true.

Mr. BEILENSON. If there are no other questions, we'll move on. Thank you very much.

Our next witness is Mr. Elmer Staats who, as you all know, served as Comptroller General from 1966 through 1981.

Mr. Staats is testifying on behalf of the Committee for Economic Development which released its public policy statement on the budget process just last year.

You testified before our task force last spring, and we welcome you back again, Mr. Staats.

STATEMENT OF HON. ELMER STAATS, CHAIRMAN, SUBCOMMITTEE ON BUDGET CONCEPTS AND PROCESSES OF THE COMMITTEE FOR ECONOMIC DEVELOPMENT

Mr. STAATS. Thank you very much, Mr. Chairman.

We appreciate your inviting us to be here today. I was particularly happy to accept your invitation principally to say congratulations to you and the task force and to express our general support for what has been developed by the task force.

I think while we have a few suggestions which I will read from my statement, I would like to say overall I think the task force report indicates a series of practical steps that can be taken. The budget process improvement is not going to be solved completely by the recommendations here or, for that matter, by those that we have produced in the Committee for Economic Development.

This is a long-term matter, but the important thing is to move forward with those things we can do now, and we believe what you have suggested generally represents a series of practical steps that can be taken.

With me today is Mr. Frank Schiff, vice president and chief economist for the CED. He had a major part in the development of the CED report which was issued last June, shortly after we testified here before your committee.

I will skip over most of that first page and start with the areas of agreement between our report and the task force recommendations.

Because there are so many areas in which the recommendations in your report and the CED policy statement are essentially in

agreement, I shall not try to discuss these recommendations in detail. With your permission, however, I would like to submit a summary of CED's recommendations for the record, together with a list of the CED trustees who signed the report. These items are attached to my statement. [See p. 24.]

Mr. BEILENSON. Without objection, it will be included in the record.

Mr. STAATS. For a detailed discussion of the rationale for our recommendations, I shall be happy to make the full CED report available to any of your members who have not already received it. Let me here simply enumerate the principal recommendations under your approach which we find especially constructive and which CED strongly supports.

First, a permanent shift to a single budget resolution and an associated 3-year reconciliation directive.

Second, tying binding limits under budget resolutions, enforceable by points of order, to committee and subcommittee spending allocations as well as to spending totals, and making such points of order immediately applicable upon adoption of the budget resolution.

Third, the incorporation of current off-budget activities in the unified budget and the congressional budget resolutions, including particularly the lending activities financed by the Federal Financing Bank. We are also strongly in accord with the recommendation that social security should remain within the unified budget.

Fourth, the inclusion of binding limits on new loan extensions and loan guarantee commitments in the budget resolution, using the same 3-year time horizon as for direct expenditure programs.

Fifth, experimentation in marking up budget resolutions with various approaches for making tradeoffs among spending, credit activities, and tax expenditures within each functional category. We not only favor such experimentation by the Budget Committees but believe it would also be desirable if the relevant legislative committees of the Congress undertook joint reviews of tax expenditure, credit, and regular spending programs that serve similar purposes.

Sixth, improvements in the President's budget analysis of capital expenditures but rejection of proposals for establishment of a separate capital budget. We were glad to see that you explicitly characterize your recommendations as being consistent with those made by CED.

Seventh, use of common economic assumptions by the House and Senate at the conference on budget resolutions as well as a requirement for the use of such common assumptions for each amendment that might be offered to the budget resolution. While your proposals relate to the conference stage, we feel that the House and Senate Budget Committees should agree on a common set of economic assumptions at a sufficiently early stage in the deliberations on the budget resolution so that common assumptions are, in fact, used as a basis for the budget proposals considered by the conference. They should not simply be added to the conference report at the very end for cosmetic reasons.

We have a few suggestions and possible reservations.

Let me now turn to a number of recommendations in your report that differ with those in the recent CED policy statement or about which I have reservations on other grounds.

First, a general observation. Your proposals, if enacted, would provide more comprehensive and indepth coverage of budgetary activities through the budget resolution than is now the case—an approach we welcome. At the same time, your proposed timetable allows substantially less time for completing the work associated with that process than at present. This is, in particular, exemplified by the proposed requirement that the House finish all regular appropriations bills by June 30. You are certainly in the best position to make a judgment with respect to the feasibility of the specific timetable which has been suggested. I certainly agree as to the need for expediting the timetable as much as feasible, but I hesitate to suggest a specific timetable. Equally important is the need to adhere to a schedule, once agreed upon. I mention this point because I recognize that there has been some feeling among Members of the Congress that even the present timetable is difficult to meet. I know of no good answer to this problem except to fix a schedule and then make every effort to adhere to it.

Mr. BEILENSON. You have no problems with the schedule as proposed if we are able to adhere to it; is that right?

Mr. STAATS. That is right.

The difficulty, as I see it, is that we have a schedule but do not really adhere to it. Even with the present schedule, we would be a lot better off than we are now, if we fully adhere to the schedule.

Mr. BEILENSON. We do not have much time in session this year. If we do not pass appropriations bills by the end of June, we will probably not be able to get them done.

Mr. STAATS. I do not quarrel with the timetable. I call your attention to this being a sensitive item, and I would hope that we adhere to the schedule once we fix it.

Mr. BEILENSON. Mr. Murtha.

Mr. MURTHA. At this point, let me enter the schedule the Appropriations Committee held to prior to 1980. I think it really benefits the Appropriations Committee to have a schedule, and it is almost impossible for us to go forward, but it shows clearly what was done up until 1980.

Mr. STAATS. If you move that resolution up a month, that will help the Appropriations Committee a great deal.

Mr. MURTHA. This is an example of the bill reported out well in advance before we had a budget resolution. In 1980, with the late budget resolution, it threw everything behind. That is the problem.

It is absolutely essential that we get a budget resolution as early as possible.

I would ask that this schedule be inserted in the record at an appropriate place to show how the schedule did work in favor of a prompt budget resolution.

Mr. BEILENSON. If there is no objection, we will insert that schedule in the record toward the end of the hearing so that it will not appear in the middle of Mr. Staats' testimony. [See p. 63.]

Mr. STAATS. If you move that resolution up, I think it will help a great deal.

Second, while we welcome more careful scrutiny of tax expenditures—including especially the proposed experimentation with tradeoffs between tax expenditures and direct spending as well as credit activities—we do not favor a separate budget resolution ceiling on total tax expenditures—or on the change in such totals. We debated this issue at length in our subcommittee. Our conclusion was that the conceptual and measurement problems involved in attempting to add up tax expenditures or in deciding what should be included in the total are simply too serious to make such separate ceilings useful for budget control purposes, at least at this time. Perhaps this can be dealt with later on by agreement as to what should be in that total, but there is a large disagreement today as to what is a tax expenditure.

Mr. BEILENSON. I would argue with you on that. I think there is agreement on 90 or 95 percent of tax expenditures. There may be disagreement as to how they are measured. I think that is a legitimate point to make and others have made it.

If you want to be serious about everything that affects the Federal budget, you have to look at tax expenditures in a very serious way, and if someone has a recommendation for another specific way of dealing with them, we would welcome hearing from them.

Mr. STAATS. You have to make the tradeoff where you have credit and taxes and appropriations all from the same program, and this is not being done today.

Mr. BEILENSON. What we are proposing is an improvement.

Mr. STAATS. Third, while we favor the proposed procedure through which binding limits under budget resolutions would be tied to committee and subcommittee spending allocations, we feel it is important to maintain effective limits on overall ceilings. This means that if an individual committee were in fact allowed to go above its committee allocation, a corresponding amount would have to be taken out of another committee's allocation. This would force exactly the kind of tradeoff process that is desirable for overall budget discipline. For this reason, I would suggest elimination of the proposed exception under which points of order against overall spending totals would not apply if the proposed legislation were within an individual committee's allocation for discretionary action.

Fourth, the prohibition of reconciliation of authorizations for appropriations seems too absolute. Reconciliation should be permitted for authorizations for appropriations that have the essential characteristics of entitlement legislation, such as authorizations for Small Business Administration disaster loans.

Fifth, the section on revising the budget resolution for changed economic assumptions and technical estimates might be amended to require the Budget Committees to review the need for a second resolution in cases where the changes in economic assumptions are very significant. There may also be a case for a separate petition procedure, as proposed in the report. However, consideration should be given to requiring a higher percentage of House and Senate Members as signatories to such petitions so that the basic goal of adhering to a single resolution in most instances cannot be too readily circumvented.

While some revisions in your proposal would be required to take account of these reservations, I want to reiterate that we regard most of the recommendations cited under your first proposal as highly constructive.

In closing, let me call your attention to two proposals for next steps that were contained in the CED policy statement on the budget process. One is to create a bicameral congressional study group to focus on improvements in the congressional budget process that will require agreement of both Houses. The other is to create a new Budget Concepts Commission, composed of representatives of the President, Congress, and the public, that would explore further ways of strengthening the conceptual and informational underpinning for budget decisions—for example, possible improved methods of bringing subsidy elements of Federal credit programs more effectively into the budget control process.

I shall be pleased to answer any questions you may have, Mr. Chairman, but, again, I want to reiterate you have done a fine job.

[Mr. Staats' prepared statement follows:]

34-033 O—84——2

Testimony of

ELMER B. STAATS

Chairman, Subcommittee on Budget Concepts and Processes

of the

Committee for Economic Development

on

The Congressional Budget Process

before the

House Rules Committee Task Force on the Budget Process

February 8, 1984

Mr. Chairman and Distinguished Members of the Task Force:

My name is Elmer Staats. I served as Comptroller General of the United States from 1966 to 1981. Prior to that, I was associated with the United States Bureau of the Budget for more than twenty years, holding the position of Deputy Director under Presidents Truman, Eisenhower, Kennedy and Johnson. Today, I am appearing in my capacity as a trustee of the Committee for Economic Development (CED) and Chairman of its Subcommittee which developed the CED policy statement, Strengthening the Federal Budget Process: A Requirement for Effective Fiscal Control that was issued last June. Accompanying me is Frank W. Schiff, Vice President and Chief Economist of CED and project director for the budget study.

Since I had the privilege of testifying before your Task Force at an earlier stage of its deliberations and have subsequently shared the final results of the CED policy study with you, it is a particular pleasure for me to appear here today to discuss your completed set of recommendations for improving the Congressional budget process. I am especially glad to do this since your first set of proposals -- that is the "single budget resolution approach" -- corresponds very closely to the recommendations made by CED. My remarks here will be confined to this proposal.

Areas of Agreement

Because there are so many areas in which the recommendations in your report and those in the CED policy statement are in essential agreement, I shall not try to discuss these recommendations in detail. With your permission, however, I would like to submit a summary of CED's recommendations for the record, together with a list of the CED trustees who signed the report. For a detailed discussion of the rationale for our recommendations, I shall be happy to make the full CED report available to any of your members who have not already received it. Let me here simply enumerate the principal recommendations under your approach which we find especially constructive and which CED strongly supports.

First, a permanent shift to a single budget resolution and an associated three-year reconciliation directive.

Second, tying binding limits under budget resolutions, enforceable by points of order, to committee and subcommittee spending allocations as well as to spending totals, and making such points of order immediately applicable upon adoption of the budget resolution.

Third, the incorporation of current "off-budget" activities in the unified budget and the Congressional budget resolutions, including particularly the lending activities financed by the Federal Financing Bank. We are also strongly in accord with the recommendation that Social Security should remain within the unified budget.

Fourth, the inclusion of binding limits on new loan extensions and loan guarantee commitments in the budget resolution, using the same three-year time horizon as for direct expenditure programs.

Fifth, experimentation in marking up budget resolutions with various approaches for making tradeoffs among spending, credit activities, and tax expenditures within each functional category. We not only favor such experimentation by the budget committees but believe it would also be desirable if the relevant legislative committees of the Congress undertook joint reviews of tax expenditure, credit, and regular spending programs that serve similar purposes.

Sixth, improvements in the President's budget analysis of capital expenditures but rejection of proposals for establishment of a separate capital budget. We were glad to see that you explicitly

characterize your recommendations as being consistent with those made by CED.

Seventh, use of common economic assumptions by the House and Senate at the conference on budget resolutions as well as a requirement for the use of such common assumptions for each amendment that might be offered to the budget resolution. While your proposals relate to the conference stage, we feel that the House and Senate Budget Committees should agree on a common set of economic assumptions at a sufficiently early stage in the deliberations on the budget resolution so that common assumptions are in fact used as a basis for the budget proposals considered by the conference. They should not simply be added to the conference report at the very end for cosmetic reasons.

Some Reservations

Let me now turn to a number of recommendations in your report that differ with those in the recent CED policy statement or about which I have reservations on other grounds.

First, a general observation. Your proposals, if enacted, would provide more comprehensive and in-depth coverage of budgetary activities through the budget resolution than is now the case -- an approach we welcome. At the same time, your proposed timetable allows substantially less time for completing the work associated with that process than at present. This is, in particular, exemplified by the proposed requirement that the House finish all regular appropriations bills by June 30. You are certainly in the best position to make a judgment with respect to the feasibility of the specific timetable which has been suggested. I certainly agree as to the need for expediting the timetable as much as feasible, but I hesitate to suggest a specific timetable. Equally important is the need to adhere to a schedule, once agreed upon. I mention this point because I recognize that there has been some feeling among Members of the Congress that even the present timetable is difficult to meet. I know of no good answer to this problem except to fix a schedule and then make every effort to adhere to it.

Second, while we welcome more careful scrutiny of tax expenditures -- including especially the proposed experimentation with tradeoffs between tax expenditures and direct spending as well as credit activities -- we do not favor a separate budget resolution ceiling on total tax expenditures (or on the change in such totals). We debated this issue at length in our Subcommittee. Our conclusion was that the conceptual and measurement problems involved in attempting to add up tax expenditures or in deciding what should be included in the total are simply too serious to make such separate ceilings useful for budget control purposes.

Third, while we favor the proposed procedure through which binding limits under budget resolutions would be tied to committee and subcommittee spending allocations, we feel it is important to maintain effective limits on overall spending totals at the same time. Strong enforcement of the overall ceiling means that if an individual committee were in fact allowed to go above its committee allocation, a corresponding amount would have to be taken out of another committee's allocation. This would force exactly the kind of tradeoff process that is desirable for overall budget discipline. For this reason, I would suggest elimination of the proposed exception under which points of order against overall spending totals would not apply if the proposed legislation were within an individual committee's allocation for discretionary action.

Fourth, the prohibition of reconciliation of "authorizations for appropriations" seems too absolute. Reconciliation should be permitted for "authorizations for appropriations" that have the essential characteristics of entitlement legislation, such as authorizations for Small Business Administration disaster loans.

Fifth, the section on revising the budget resolution for changed economic assumptions and technical estimates might be amended to require the budget committees to review the need for a Second Resolution in cases where the changes in economic assumptions are very significant. There may also be a case for a separate petition procedure, as proposed in the report. However, consideration should be given to requiring a higher percentage of House and Senate members as signatories to such petitions so that the basic goal of adhering

to a single resolution in most instances cannot be too readily circumvented.

While some revisions in your proposal would be required to take account of these reservations, I want to reiterate that we regard most of the recommendations cited under your first proposal as highly constructive.

In closing, let me call your attention to two proposals for "next steps" that were contained in the CED policy statement on the budget process. One is to create a bicameral Congressional study group to focus on improvements in the Congressional budget process that will require agreement of both Houses. The other is to create a new Budget Concepts Commission, composed of representatives of the President, Congress, and the public, that would explore further ways of strengthening the conceptual and informational underpinning for budget decisions -- for example, possible improved methods of bringing subsidy elements of federal credit programs more effectively into the budget control process.

I shall be pleased to answer any questions you may have.

Mr. BEILENSON. Thank you, sir. We appreciate your testimony very much.

The only question I have is in regard to your final paragraph. If possible, we would like to propose now or everything to improve the budget process, we can think of now.

Other than the bicameral study group you suggested, are there other proposals that we have not included which would be useful to consider?

If anybody has any additional suggestions about how we can improve our proposal, we are certainly still open to some suggestions.

Mr. STAATS. Mainly, we hoped you would move ahead with the proposals you have already incorporated in the task force report.

We also see some issues which may be longer term issues which cannot be resolved at this time but for which a group of this type could make a contribution. We feel, particularly, that there is a need for something like a Commission on Budget Concepts similar to the Commission which was established by President Johnson in 1967, and of which I was a member. That Commission considered a number of problems that we had not really been able to deal with. Its report was the origin of the unified budget. The Commission was successful because we had agreement among all those who

served on it, including Members of Congress as well as representatives of the President and of the public.

We were not able to come to grips with all the problems of interest subsidies, including the question whether they could be incorporated in each year's appropriations.

On the question of accrual of both revenues and outlays, we did not come to a final conclusion on how best to do that, particularly on defense contracts. So, these are some of the kinds of issues that, we feel, could be tackled more adequately if a study group tried to helpful in dealing with them.

Mr. BEILENSON. Are there any other questions?

Mr. Bonior.

Mr. BONIOR. I thank you for your testimony, Mr. Staats, and appreciate your help in this committee in the past.

I am somewhat disappointed because it seens your position has changed on tax expenditures. I and others think it is a very important part of our proposal. We feel it should be included in a very serious way and, in fact, both proposals are in force today.

We understand there are problems with respect to tax expenditures, but they are not problems that cannot be overcome. We have had witnesses come before us, including Mr. Schick, and Alice Rivlin, and Terry Haven, who said if the Congress used this process, ways would be found to overcome some of these technical problems. He was the Assistant Comptroller in 1981.

I think we can overcome those reservations your committee has with respect to tax expenditures.

In 1983, there were about 105 tax expenditures, and I believe there was only a difference in the definition on the 13 of them between CBO and the Administration.

Of course, under the Budget Act, we will define that in the Congress ourselves. The administration basically does not have a final shot at it.

Mr. STAATS. If you could come to agreement on what is a tax expenditure, which is essentially to say you are using the tax route against an expenditure route, to accomplish a governmental objective, that is one thing.

I was the one who raised this question of tax expenditures first when I was Comptroller General. We could not get agreement with the Treasury or OMB as to what ought to go into that total.

If that can be done today, I think maybe I would take a somewhat different view about it. There are some things they say are there for general economic conditions which do not relate to specific programs, and it would not be fair to rack them up as a tax expenditure. They call them tax policy. That is the problem that I got into.

Mr. BEILENSON. Is there not general agreement on the of definition of at least the great majority of the larger ones?

Mr. STAATS. On a great many of them, there is no doubt about it. Mr. Schiff here might want to comment on this.

Mr. BEILENSON. We are aware there are some difficulties in quantifications and so forth around the margins, but that should not preclude us from including a general approach which makes sense. I want people to stop telling us about the difficulties and tell us how to solve the problems.

Mr. SCHIFF. Our committee did not say you should not look at all of these and even to try to have totals for informational purposes. But the committee was very concerned about using such totals for direct control purposes. I think when we did our study, the current administration counted as tax expenditures about 88 percent of the items covered by that term under the last administration. However, it is not just a question of the number of items involved but also of the nature of the items. For example, accelerated depreciation is a tax expenditure under one concept but not under the others.

There was the other concern which relates to the difficulties in adding up tax expenditures. These are quite formidable. I think you will hear that from people like the Director of CBO.

Mr. BONIOR. The problem with the whole idea of the synergistic effect of dealing with one is what will that do in terms of increasing another, and that has not been looked at in a serious way.

We have the same problems with the AFDC and Food Stamps. We know that if AFDC is cut back, Food Stamps will go up, and we have learned over the years to measure that with some reasonable degree of accuracy.

Mr. STAATS. One approach might be to take these functional categories which are now part of the budget resolution and try to come into agreement function by function as to which of those should be a part of that total. I suspect on something like accelerated depreciation, you would have difficulty telling where you put that, because people would argue that is for general economic growth, for capital investment. I do not quite know how you would fit that in. But certainly, I would not be opposed to the idea of taking function-by-function and lining those up with credit programs and direct spending programs so you know what you are doing as far as the Treasury is concerned. The tax expenditures, of course, affect the Treasury just like anything else.

Mr. BEILENSON. Let me ask one more question, if I may.

Everybody always uses the example of accelerated depreciation.

Apparently there is a real problem with that. Can you give us another example of where people do not agree?

Mr. STAATS. What do you do about charitable programs?

Where do you draw a line on those?

That is another problem we got into with Treasury. It is the same kind of problem you get into with a flat tax.

Mr. DERRICK. What is the problem?

Mr. STAATS. Some are general welfare programs, aid to the poor, and some are for medical problems.

Mr. DERRICK. What are the total funds involved?

I do not see the problem.

Mr. STAATS. Do you put a limit on them, or don't you?

If you are talking about information, that is one thing. If you are talking about control and limiting it, that is where you get into a problem.

Mr. DERRICK. We had this conversation over the last 7 or 8 years. As I recall, when we first started, when you were Comptroller, I think you were a little more favorably disposed toward dealing with tax expenditures which, of course, is your right.

I am just interested in why there has been the change.

I never thought we could do any serious budgeting unless we cover off-budget agencies. I know the business community gets irate when you start talking about tax expenditures. They do not even like you to call them tax expenditures. It seems to me they have just as much of an impact on the budget and on the economy, and this business about not being able to handle it, no one ever said budgeting was an exact science.

I think that is another very good excuse not to go into it, if you will excuse me.

Mr. STAATS. We want to come to what definition you apply when you try to put on a limit. You are quite right that I was one of the early people who tried to surface this in reports made to the Congress in the late 1960's or early 1970's. Maybe people in the Congress and elsewhere realize if you can't get a direct appropriation, maybe you can get it through a tax route or credit route.

These are all options people have to support a program. They ought to be looked at together. That is what we are saying here, also.

Whether you put a limit on the total or not, or whether you put a limit on those expenditures by program categories which are alternatives or substitutes for direct spending or credit programs is another approach. If you get agreement, fine.

I raised the question and we got a lot of flack from the executive branch, saying you are putting apples and something else together, and they are not the same.

Mr. DERRICK. If we start getting involved in tax expenditures, I will be glad to discuss the politics of it with you, which are not very good, but I am talking about trying to do something about it. We are going to have the chamber of commerce up here and the National Association of Manufacturers and everybody else because they go through the ceiling when you mention tax expenditures. But that does not mean we should not look at it and try to do something about it.

Mr. STAATS. You should look at it, and if you can get agreement between the Congress and the executive branch—and I do not mind the term "tax expenditure,"—I would be all for it if you can get agreement. However, to try to put a limit on that total, I doubt that you could. I do not think you would be successful.

Mr. DERRICK. Thank you very much for your testimony. It is nice to see you.

Mr. BEILENSON. Mr. Frost?

Mr. FROST. Since the question came up in a simplistic way, why can you not list everything that prevents you from paying at the percentage rate under the Tax Code, and this would include personal exemptions?

It would include everything that changes.

If you are in the 25-percent bracket but you do not wind up paying 25 percent, any adjustment to a credit or deduction that you can claim, an individual can claim, or a business can claim in filing a return would mean he would not pay at the percentage rate of gross income, and that is a very simplistic approach.

But it seems to me you could do that.

Mr. STAATS. I guess, Mr. Chairman, it is a question of how much you try to do at this particular point in time. I would hate to see

some of these reforms not being accepted because you could not get agreement on everything you would like to see done. I think what you have done is great.

As I have said several times here already, I guess it is a judgment you have to make as to how much of a bite you can take at this particular stage.

Mr. FROST. We recognize it would be a can of worms, and it would perhaps focus opposition to what we are doing, and it would be easier not to deal with the subject but, really, if I understand what the chairman has wanted us to do from the beginning, it is not necessarily to take the easy way and to try and deal with everything and to take our lumps as they may be as a result, that may occur from dealing with them.

Mr. STAATS. I applaud you on the tax expenditure thing for getting it out into the sunshine.

Before this issue was raised in the early 1970's, people never heard of the term nor were they aware of what this looked like, and it added up at that time, as I recall, to close to $100 billion going out through the tax route.

Mr. FROST. I do have a couple of other matters I do want to touch on.

I was out of the room and I do not know if other members asked you about this. In your testimony, you referred in several instances, to subcommittees studying resolutions and points of order.

On page 2 of your statement you say, "Tying binding limits under budget resolutions, enforceable by points of order, to committee and subcommittee spending allocations as well as to spending totals . . ." [See p. 15.]

We were reviewing the document yesterday. Some of us were looking at it yesterday and asking the staff questions.

If I am correct, I believe there is no point of order under the document as it is currently drawn on subcommittee spending allocations.

Mr. STAATS. Only on committees.

I think it would be better if you could get it by subcommittee. I think the subcommittees might welcome it because they would know what they had to work with.

Mr. FROST. I just wanted that point mentioned because there may be some language that you have seen that is specific.

Second, in terms of questions about the reconciliation applying to authorization, I assume you understand the concern that many Members have of what was done in Gramm-Latta and what was done during that period, and there is institutional resistance to permitting that type of thing to be done; that using reconciliation as a way to reauthorize whole programs is in reconciliation as a way to change underlying law in a wholesale way as it was done in 1981. I think that is really the impetus for that particular provision as it was drafted.

Mr. STAATS. We are basically supporting the task force report.

Mr. FROST. I understand there was some question about authorization and reconciliation.

Mr. BEILENSON. Mr. Schiff.

Mr. SCHIFF. This was not really a major amendment to your language. I think we were aware of the concerns of the Appropriations

Committee, and of the need not to take away their legitimate functions. But Mr. Staats' testimony mentions that there are "authorizations for appropriations" which are really very similar to entitlements. You might be able to change your language to take account of this. It is not a major change.

Mr. FROST. You understand the manner in which Gramm-Latta proceeded in 1981 causes or raises institutional concerns for a lot of people.

Mr. SCHIFF. We were sympathetic to your concern in that area.

Mr. STAATS. Mr. Chairman, I would like to conclude by saying I have been an observer of this whole budget picture practically all my government life—42 years. I testified four times in support of the Congressional Budget Act. When you look at where we were in 1973 and 1974 against today, I think we have made a lot of progress. The reason we think so highly of what you have done is that you have taken this basic process and carried it a step forward.

We opposed the off-budget items in 1974. We were not successful. I think that that is a key issue here. If you do not put all of these things back in the budget, then everybody has an excuse to say leave me out, too, and that is really what has happened.

When the REA was left out, the Federal Financing Bank lending activities followed. Despite all the protests that they would not go off budget, they are off budget now as we know.

So, what has happened is that the process is being eroded. We have to bring those all back in, as I see it.

Mr. BEILENSON. Thank you very much. We thank you for your testimony and sharing your views with us today.

[CED summary of recommendations follows:]

EXCERPT FROM: CED policy statement, Strengthening the Federal Budget Process: A Requirement for Effective Fiscal Control, June, 1983.

SUMMARY OF RECOMMENDATIONS

Our general conclusions and recommendations can be summarized as follows:

1. We strongly support continuation of the basic elements of the present budget process and believe that further strengthening of that process is a vital precondition for sound and effective fiscal and economic policies. Improvement of the present process along the lines indicated in this statement offers a far greater hope of bringing the budget under control than trying to reverse the progress toward strengthening the process that has been made in recent years or to superimpose constitutional mandates for specific budget outcomes on the existing procedures.

2. As one element in strengthening the present budget process, we recommend a major effort to improve the information and to clarify the concepts used by both the Executive Branch and Congress in arriving at budget decisions. Such an effort will require adequate funding and staffing. Much more needs to be done to ensure that the available information is truly comprehensive, clear, relevant to the decisions that need to be made, and fully credible.

3. We also recommend a series of reforms in existing Congressional budget procedures to extend the progress that has already been made toward rendering Congress more clearly responsible for its budget decisions and to strengthen budget enforcement.

4. To increase the effectiveness of the budget process and to lighten the work burden that budget and other money issues are currently imposing on Congress, we recommend that careful further study should be given to possible ways of improving the timing of Congressional actions on authorizations, appropriations, budgets, and other money matters (including proposals for a two-year budget cycle) and of realigning the structure and functions of Congressional committees. We would, however, be strongly opposed to any structural changes that would weaken the effectiveness of the budget process.

5. To assure full consideration of the needed improvements in budget concepts and processes and to maximize the chances that these improvements will actually be put into effect, we recommend the establishment of:

- a new Budget Concepts Commission composed of representatives of the President, Congress, and the public that would consider ways of strengthening the conceptual and informational underpinning for budget decisions and enforcement; and
- a bicameral Congressional study group, including leaders of the House and the Senate, that would deal more explicitly with improvements in Congressional budget procedures.

Our more specific recommendations follow.

BUDGET CONCEPTS AND INFORMATION

BUDGET PRESENTATION: THE NEED FOR COMPREHENSIVENESS, CLARITY, AND CREDIBILITY

1. We strongly believe that continued adherence to a comprehensive, unified budget is essential to the effectiveness and credibility of the budget process (page 27).

2. We oppose the scheduled removal of Social Security from the unified budget and urge Congress to reverse its recent action calling for such removal by fiscal year 1993 (page 28).

3. To make the unified budget more comprehensive, we recommend that activities now classified as "off-budget" be incorporated in the unified budget. In particular, this should include the lending activities which are financed by the Federal Financing Bank (page 29).

ECONOMIC ASSUMPTIONS AND THE BUDGET PROCESS

1. There should be an explicit statement of economic assumptions in connection with all important budgetary proposals brought before Congress, and there should also be ample opportunity to subject these assumptions to careful public scrutiny and criticism (page 32).

2. Responsibility within Congress for formulating economic assumptions and projections should continue to be concentrated in the two budget committees (page 33).

3. We urge strong emphasis on the regular preparation of detailed analyses that show the sensitivity of budget outcomes to changes in economic assumptions (page 33).

4. We favor a requirement that the House and Senate Budget Committees agree on a common set of economic assumptions as a basis for the First Concurrent Budget Resolution and for evaluating proposals for individual budget programs (page 34).

5. We also recommend that the Administration should, at an appropriate stage of the budget process, respond to the economic assumptions included in the First Concurrent Budget Resolution, either by arguing their validity or by recasting applicable forecasts of its own. In addition, we favor continuation of the Federal Reserve's present practice of presenting to Congress, some time prior to the debate on budget resolutions, information on the economic projections that it utilized in connection with the development of monetary growth targets (page 34).

CONTROLLING FEDERAL CREDIT ACTIVITIES

1. As a next step, we believe that credit programs should be permanently subject to most of the budget control procedures now used in connection with direct spending. In particular, there should be a formal requirement that budget resolution ceilings on total new loan extensions and loan-guarantee commitments be made binding (page 38).

2. We recommend that in addition to relying on a credit budget, the Administration and Congress make strong efforts to develop an integrated approach to budget control that will, as far as possible, allow direct tradeoffs between credit and spending programs within the unified budget (page 39).

3. As initial steps to help integrate federal credit activities into the regular budget process, we recommend, first, that further emphasis be placed on measuring the interest-subsidy elements in federal loans and guarantees and dissemination of such information in readily understandable form; and, second, that there be experimentation with budget procedures that involve direct comparisons between regular expenditures and the subsidy elements of credit programs (page 40).

4. As a possible long-run solution to the problem of making subsidized portions of federal loan programs directly comparable with regular budget expenditures, we recommend careful further exploration of the proposal to put all federal credit and guarantee activities in a national lending fund that would not be allowed to subsidize transactions or take risks on its own account but would receive reimbursements from government agencies equivalent to the cost of providing subsidized loans or guarantees on behalf of these agencies (page 41).

CAPITAL BUDGETS AND CAPITAL BUDGETING

1. Although we agree that there is a definite need for more systematic attention to investment-type activities within the federal budget, we are strongly opposed to proposals for a separate capital budget that would remove such outlays from the unified budget and normally allow them to be financed by borrowing. At the same time, however, we recommend substantially greater emphasis on clearer presentation of investment-type activities and on use of capital budgeting approaches *within* the unified budget (pages 43 and 44).

2. As a first step in providing more useful information on investment outlays within the federal budget, we recommend further improvements in the information provided in "Special Analysis D." For the longer run, we favor more far-reaching changes in budget presentation and content that would establish a better framework for capital investment decisions within the budget process and give such investment increased visibility in the unified budget (page 45). Specifically, we recommend that:

- additional crosscuts in the federal budget be established that would separately identify budget authority and outlays for capital investment programs and would, wherever practicable, show relevant depreciation estimates. Reports prepared by individual agencies should also specify the full maintenance and other operational costs expected to be associated with each major capital project or program (page 45).

- a special analysis of federal and federally assisted capital investment periodically be presented in the budget or in a separate report that would be much more substantive and comprehensive than the present sections of the budget dealing with capital expenditures (page 52).

- the President should periodically submit a capital improvements program for the nation based on his assessment of broad national needs. This program should specify the portion of the cost that should be financed by the federal government and make clear the magnitude of

the financing costs confronting state and local governments and (to the extent that it is affected by user charges) the private sector (page 53).

- both the Executive Branch and Congress should significantly strengthen their organizational capacity for assessing the need for public investment in physical capital and for developing integrated, long-term approaches for dealing with this need (page 53).

3. Many of the definitional, analytical, and procedural questions involved in moving toward improved capital budgeting within the unified budget should be more fully explored by the proposed Budget Concepts Commission. The commission should also examine the feasibility, appropriateness, and cost of accrual accounting in the federal budget (page 54).

4. Given the seriousness of the need to address the nation's infrastructure problems, we urge that strong efforts be made to implement as speedily as possible those aspects of our proposals for improved capital budgeting within the unified budget that can be instituted without further long-term study (page 55).

5. We urge that improved analyses as well as decision-making procedures be developed in both the Executive Branch and Congress that will allow a more comprehensive and integrated focus on each of the other major types of public spending that has one or both of the attributes commonly associated with the term *capital investment:* acquisition of assets with multi-year useful lives, or outlays that create or enhance productive capacity, or both. Important examples include investment in human capital through education and training; in research and development; and in major military weapons systems (page 55).

"TAX EXPENDITURES"

1. We are opposed to a ceiling on total tax expenditures (or net increases in such totals) in the budget resolution (page 60).

2. At the same time, we believe that it would be highly desirable if individual tax-expenditure programs and regular spending programs that serve similar purposes were subjected to joint reviews wherever feasible. To get around the difficulty of reaching full agreement on what ought to be included in tax expenditures, we recommend that such joint reviews be limited to those instances in which the relevant Congressional committees can agree that the tax provisions and direct expenditures involved are comparable in purpose and readily lend themselves to joint examination (page 60).

3. We recommend that budget procedures that call for direct trade-offs between spending and tax expenditure programs with similar purposes be

introduced on a limited experimental basis, with nonbinding allocations to committees and restriction of the experiments to situations where broad Congressional agreement exists that joint consideration of tax and regular expenditures is both feasible and appropriate (page 61).

THE HIGH EMPLOYMENT BUDGET AND RELATED CONCEPTS

1. We recommend that both the Executive Branch and Congress continue to make active use of the high employment budget or a similar concept in analyzing budget developments and policies. We also urge that information and analyses regarding high employment budget trends be regularly included in the President's Budget and Economic Report as well as in the relevant reports of Congressional committees (page 63).

2. Because the term *high employment budget* is frequently misinterpreted, we believe the time has come to explore the possibilities for using a new term that would more adequately express the intended meaning of the concept (page 65).

3. We believe that careful further study of a variety of issues related to the analytical use of the high employment budget concept is desirable. CED plans to carry forward its own study of this subject, and we recommend that it should also be on the agenda of the proposed Budget Concepts Commission (page 67).

BUDGET PROCESSES

IMPROVING BUDGET DECISIONS AND ENFORCEMENT: EVOLUTIONARY APPROACHES

1. We believe that the evolutionary changes in the budget process that have been introduced in recent years have significantly strengthened the process and should generally be retained, although in some cases with modifications (page 72).

2. We believe that the elastic clause should continue to be available as a needed means of applying the budget process in a sensible and flexible manner. At an appropriate time, however, changes in the process that have actually taken place should be formally incorporated in revised legislation (page 72).

3. We support a permanent change in budget procedures to make the First Concurrent Budget Resolution binding and subject to points of order, thereby eliminating the need for a mandatory Second Resolution. Congress should, however, retain the option to pass one or more additional budget resolutions if this appears necessary (page 73).

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4. We recommend that if, shortly before the beginning of the new fiscal year, projected budget totals appear to be significantly different from those set forth in the First Resolution—for whatever reason—formal review of this difference by Congress in the context of a Second Resolution should be required. In this situation, however, it would be useful if Congress were to adopt rules that would, as much as possible, confine issues brought up in connection with the Second Resolution to those related to changes in economic conditions, technical reestimates, and unforeseen developments such as natural disasters (page 73).

5. As a further improvement, we recommend that the outyear targets in the budget resolution also be made binding (page 74).

6. We feel that the shift toward use of reconciliation in conjunction with the First Concurrent Budget Resolution, its implementation on a multi-year basis, and its broadened application to include existing entitlements are essential to make reconciliation an effective enforcement tool under the budget process (page 75).

7. We believe, however, that there should be some limitations on the scope of the reconciliation procedure. There should be a strict rule that reconciliation bills should not be vehicles for extraneous legislative proposals unconnected with changes in law that have the effect of increasing or decreasing spending or taxes. In addition, we believe that use of reconciliation in conjunction with discretionary authorizations should be minimized to avoid displacement of the legitimate functions of the appropriations committees. For the most part, reconciliation should be used as a means of affecting entitlement, tax, or other programs having similar characteristics (page 75).

8. We favor a procedure under which binding limits under budget resolutions, enforceable by points of order, are tied to committee and subcommittee spending allocations as well as spending totals (page 76).

IMPROVING THE TIMING OF CONGRESSIONAL ACTIONS ON MONEY MATTERS

1. Because there are still many unresolved questions with respect to a two-year budget cycle, we do not favor an immediate, across-the-board shift to biennial budgeting. Instead, we recommend a more gradual approach to extending the time frame for budget and related money decisions and legislation. This would involve active experimentation with the use of two-year appropriations and other longer-term funding arrangements for particular types of activities, depending on what makes the most sense from an economic and administrative viewpoint in each instance (page 79).

2. If a two-year decision cycle should turn out to be suitable for a high percentage of actual programs, our recommendations would be consistent with an eventual move to a biennial budget (page 79).

3. We recommend that authorizing legislation should be for a minimum term of two years and, in appropriate cases, for substantially longer periods (page 79).

4. We are, however, opposed to a proposal under which Congress would be able to take up appropriations bills as soon as the deadline for adoption of the First Concurrent Budget Resolution has passed, whether or not the resolution has actually been approved by Congress (page 80).

5. To avoid unnecessary crises over continuing resolutions, we recommend that a continuing appropriation be automatically put into effect at the start of the fiscal year for any account that has not yet received a regular appropriation. This appropriation should expire as soon as the regular appropriation is adopted (page 80).

6. To prevent misuse of the continuing-resolution technique, we also recommend a firm prohibition against inclusion of new substantive provisions in any automatic continuing resolution. In addition, we believe that the amount of funds made available under the continuing resolution should be set at a level low enough to give both Congress and the Executive Branch a strong incentive to adopt a regular appropriations bill as quickly as possible. As a further safeguard, automatic continuing resolutions should be subject to a time limit (page 81).

STRUCTURAL REALIGNMENTS WITHIN CONGRESS

In addition to consideration by existing Congressional committees, proposals for structural realignments within Congress should receive careful and objective study by the bicameral Congressional group that we recommend be established. Although we have not taken a specific position on individual proposals, we would be strongly opposed to any proposal that would weaken the budget process. We believe, in particular, that actions to abolish the budget committees or undermine their essential functions would damage the chances of achieving needed budget discipline (page 88).

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON CONGRESSIONAL BUDGET DECISIONS

We are opposed to a constitutional amendment to balance the federal budget or place other specific limitations on budget outcomes. In our judgment, a constitutional amendment would be unworkable and would be likely to do more harm than good (page 92).

RELATING CONGRESSIONAL AND EXECUTIVE BRANCH BUDGET PROCEDURES

1. Although we feel that simplifying the present system and making presidential authority for impoundment somewhat more flexible would be desirable, we believe that impoundment should serve primarily as a management tool, not as an instrument for effecting major changes in budget priorities from those incorporated in existing legislation (page 94).

2. We recommend that the present recission procedures be dropped and that all proposed withholding of funds be initially treated as deferrals. The President should, however, indicate which part of the deferred budget authority he wishes to have eliminated (rescinded). He should then specify, for each deferral of funds, a date beyond which it would be impractical to commit (obligate) the funds for spending. If Congress has not enacted legislation rescinding the budget authority by that date, the deferred funds would automatically become available for obligation (page 95).

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Mr. BEILENSON. Our third and final witness for today is Prof. Allen Schick who was Congress' resident budget process expert when he worked for the Congressional Research Service. He was closely involved in drafting the Budget Act of 1974 and has studied the process as it has evolved since then. He is the author of a book entitled "Congress and Money" which is probably the most extensive study of the congressional budget process to date.

He is now with the University of Maryland, and we welcome him back to spend some time with us.

STATEMENT OF DR. ALLEN SCHICK, PROFESSOR, SCHOOL OF PUBLIC AFFAIRS, UNIVERSITY OF MARYLAND

Dr. SCHICK. Thank you, Mr. Chairman.

I would ask to have my statement put in the record, including an appendix which comments on various sections of the draft bill; I will refer to excerpts from the statement in my testimony.

Mr. BEILENSON. Without objection your full statement and the appendix will be included in the record following your testimony.

Dr. SCHICK. Mr. Chairman, I appreciate this opportunity to discuss the proposals prepared by the task force for the improvement of congressional budget procedures. The task force is to be commended for presenting two complete options for consideration, along with draft legislation that enables us to assess how each would operate in practice.

The two proposals differ greatly in scope and purpose; hence, they require different forms of analysis. The single resolution approach would build on the experience of the past decade to improve the existing congressional budget machinery. It would incorporate many of the features developed in recent years and recognize them in the rules of the House. The comprehensive budget approach, however, would make far-reaching changes in the operation and procedures of the House.

THE COMPREHENSIVE BUDGET BILL

The comprehensive budget approach responds to serious problems that have beset the congressional budget process since its inception. These problems were incisively discussed several years ago by Mr. Obey and Mr. Gephardt. According to their analysis, the main problems are rooted in the conception of budget resolutions merely as frameworks for making separate revenue, expenditure, and other budget related decisions. Budget resolutions coordinate rather than decide. As a result, each resolution assumes too much political importance but has too little budgetary power. Like party platforms at the national nominating conventions, budget resolutions have become symbols of the ideological differences that exist within and between the major political parties. Total spending is politically important, not because it is determined in the resolutions but because Members must vote upon it. Votes on the deficit label Members as responsible or spendthrift, not because they actually close up or widen the gap between revenues and expenditures, but because they have to stand up and be counted on this politically volatile issue.

A resolution that is politically important but fiscally weak gives rise to inconsistent budgetary behavior in Congress. Members can "cheap shot" the resolution, voting for lower expenditures in it, but turning around and demanding more money when their favorite spending bills are on the floor. They can decry deficit spending but not take any concrete action to raise more revenues or curtail expenditures. Moreover, the fact that the real decisions are made in revenue and spending bills—not in the highly visible budget resolutions—means that Congress has to vote repeatedly on the same issue, further aggravating budgetary conflict and congesting the legislative calendar.

The solution proposed in the comprehensive budget approach would be to convert the budget resolution into a budget plan that is formulated and enacted together with legislative decisions on revenue, spending, entitlement, and credit legislation. Congress would settle all budgetary scores in a single, consistent, and comprehensive package. The revenue and appropriations committees of Congress would continue to function as they now do, but rather than moving their bills through Congress one at a time, all their legislation would be combined in an omnibus measure, though the various parts would be separated again before being presented to the President for his signature or veto.

If it were to work according to script, the comprehensive budget scheme would insure timely and consistent budget decisions in Congress, convert budget votes for symbolic actions into real decisions, and enable Members to clearly ascertain what they are voting on when they decide to raise or lower total spending. For this ideal situation to materialize, committees would have to adhere to rigid schedules and Members would have to be willing to vote for the total package even when they were unhappy about some of its parts. Committees and Members would have to exercise self-restraint and keep all nongermane provisions out of the bill. They also would have to mark up their revenue and spending bills pretty much in accord with the budget plan issued by the Budget Committee.

There is no precedent in the 200-year history of Congress for a comprehensive bill that spans all tax legislation, annual appropriations, entitlement laws, and credit programs. Even when the National Government was much smaller, Congress saw fit to parcel its power of the purse among numerous bills. In this way, it insured that if one measure was stalled in the legislative process, other "must" legislation could still be enacted into law. The comprehensive bill, however, would make the whole budget hostage to disagreement or bargaining over the parts. Congress would be upping the stakes in budgetary deadlock, and it most likely would have to up the ante to buy budgetary peace. Those determined to get their way would have their strength augmented in the recurring budget battles.

The closest antecedents of the comprehensive approach do not augur well for its success. The 1950 omnibus appropriations bills was confined to regular appropriations, yet it drew so much opposition that it was abandoned after only 1 year's test. The 1981 reconciliation bill did not cover any of the annual appropriations or the big tax measure, but it generated so much controversy that Con-

gress has been forced to significantly scale down the reconciliation process. Two hundred years of congressional behavior offer meager support for the notion that committees and Members would be willing to package virtually a whole year's legislative output into a single measure.

One need not resort to "worst case" scenarios to identify serious problems that might bedevil the comprehensive approach. What would happen if one committee was unprepared to move its budget measure to the floor in tandem with the dozens of other pieces that would have to be welded together into a single measure? What would the House do if vote after vote rejects the whole package? The omnibus approach makes the floor the arena in which budget disputes are aired and fought out. But rather than bringing Congress closer to budgetary agreement, this may be a prescription for stalemate.

The good intentions that animate the comprehensive approach might not suffice to knit the many committees whose wills would have to be orchestrated into a harmonious group. I would urge that the task force move cautiously in this area. If greater comprehensiveness is the aim, why not strengthen the means by which the appropriations committees coordinate their 13 separate bills. Why not strengthen the reconciliation process which, I will argue shortly, still can serve a useful role in the congressional budget process? If Congress becomes accustomed to more integrated budgetary activity in these areas, it might provide experience for judging the feasibility of a comprehensive bill. Lacking such experience, the House would be putting all its eggs in a fragile budgetary basket.

THE SINGLE RESOLUTION APPROACH

The single resolution approach would combine many of the features added during the past decade and a number of innovations to streamline the congressional budget process and improve the chances for completing action on the annual resolution in a timely manner. Of particular note are provisions that would make credit budgeting and multiyear targets regular features of the congressional budget process. The draft bill also attempts to rehabilitate the reconciliation process by expressly endorsing its use at the start of the annual budget cycle and by removing conventional authorizations from its reach. Whatever one thinks about the manner in which reconciliation was used in 1981, there can be little doubt that this is an essential instrument of budgetary control. Without reconciliation or a similar procedure, Congress would find it exceedingly difficult to curb the growth in mandatory entitlements which now consume the lion's share of the budget. By barring reconciliation instructions for authorizations, the task force would insure that this device is to be used only for those types of programs and expenditures that cannot be controlled through the regular appropriations process.

I would refer, Mr. Chairman, to an item which is in my appendix, and Mr. Staats raised earlier with respect to appropriated entitlements. This is a very vexatious issue. The task force should insure that the language of the bill, while excluding authorizations

from the reconciliation process does not thereby also exclude those entitlements which are also subject to annual appropriations.

Let me comment on various aspects of the task force's proposal beginning with the timetable.

Congress has been troubled in recent years by its failure to enact the regular appropriations bills by the start of the fiscal year. In setting time aside for the many budget activities that have to be crowded into a single legislative session, it is important that the deadlines be realistic and workable. If they are not, budget reform will once again flounder.

Although the task force bill would alter many features of the current timetable, its approach is remarkably similar to that taken by the Budget Act. Like the Budget Act, the draft bill assumes that participants will act by the deadlines assigned to them. But if deadlines alone sufficed to insure timely budget action, there would be no need to alter the dates now in effect. The few additional weeks secured by earlier submission of the President's budget and committee views and estimates reports cannot by themselves keep the congressional budget process on schedule.

In lieu of—or perhaps in addition to—deadlines, the task force might devise incentives and sanctions to promote timely budget action. I would suggest a twofold approach: first, the annual session should be zoned to facilitate floor consideration of each type of budgetary legislation during an assigned period of the year; second, the Appropriations Committee should be permitted to bring its bills, including unauthorized appropriations, to the floor without having to receive a special rule. If the authorizing committees have a clear field for their bills in the spring and know that their failure to act will not impede the progress of appropriations measures, they will have a strong incentive to produce on schedule.

REVISION OF THE BUDGET RESOLUTION

The shift from two resolutions to a single resolution is in conformity with recent practice. Very early in the history of the budget process, Congress recognized—contrary to the expectations of the Budget Act—that to be effective budget control has to be applied when the first resolution is adopted. The second resolution comes too late in the cycle to be a means of budget control. This reasoning led to a shift in reconciliation from the second to the first resolution.

The task force, however, has gone beyond alining the Budget Act with current practice. The draft bill provides that technical revisions can be made in the budget resolution without vote of Congress. These revisions can reflect changing economic circumstances. In my view, this would be a retreat from responsible budgeting. It would invite Congress to base its budget resolution on optimistic economic projections. If these failed to materialize, Congress could conveniently raise the spending and deficit levels without taking responsibility for this action and blame the economy for compelling it to make these adjustments.

I would point out that one of the significant modifications proposed by the task force would be to center budget control on discretionary action rather than on total expenditure. This means that

only technical revisions that allow committees more discretionary spending would be meaningful. With respect to mandatory and total spending, there no longer would be any need to adopt a revised resolution if the levels set by Congress would be breached. One is drawn to the conclusion, therefore, that technical adjustments made without House or Senate concurrence might be used to raise discretionary spending available to committees.

LINE ITEMIZATION

One of the most difficult problems plaguing the budget process is the balance between informed budget decisions on the one hand and the avoidance of detailed program decisions on the other. The making of a budget resolution cannot be a pig-in-a-poke exercise; committees and members must have a sense of what they are voting for or against. But their votes cannot be so pinpointed as to preempt the rightful role of the authorizations and appropriations processes.

While the task force warns against line itemization, the cumulative effect of its recommendations would be to focus budgetary debate on program details rather than on fiscal policy and priorities; first, because committee allocations will now be available prior to floor voting on the budget resolution and, second, because the functional allocations which now are made will further be subsidized so as to show functional allocations for credit and for expansion expenditures.

A major step in this direction is the proposal that section 302 crosswalks be itemized in the reports accompanying the budget resolution, not just in managers' statement on conference reports. Moreover, the itemization of tax expenditures and credit activities by function would triple the number of boxes into which the functions were allocated. I would urge the task force to consider means of curtailing the trend toward line itemization. One possibility would be to reduce the number of functions in the budget resolution; another would be to shift from functional to committee allocations in the resolution. Now that committee data are to be exhibited in advance of floor action on the budget resolution, it might be appropriate to take the additional step and structure the resolution itself along committee lines.

TAX EXPENDITURES, CREDIT ACTIVITY, AND REVOLVING FUNDS

The task force properly encourages trade-offs between direct expenditures and other forms of financial assistance. But it is important to recognize that (1) the various forms are not always true substitutes, and (2) tax expenditures and credit programs are not devised solely to evade budgetary controls.

At various points in the draft bill, the task force calls for data on changes in the level of tax expenditures. Focusing on changes sensibly avoids endless disputes as to how to add up all the tax expenditures provided by the Federal Government.

I would argue, Mr. Chairman, that there is no technical difficulty whatsoever in computing changes in tax expenditures. What is required is not agreement on total tax expenditures among the tax bar, professors, OMB, and the President. All that is needed to

make this work and control tax expenditures is a congressionally established baseline that is used to compute the changes in tax expenditure amounts. That is perfectly parallel to the baseline now used on the expenditure side of the budget. We do not have to have intellectual or analytic agreement as to what constitutes a tax expenditure. We simply need a working process.

However, I think it is important to recognize that the level of tax expenditures can come from one of two sources. One is changing tax expenditures directly, and that is what the task force is aiming to get at. The second is by changing overall tax rates. In other words, if Congress raises or lowers marginal tax rates on income, it automatically changes the level of tax expenditures in the budget. I think it is important that the task force insure that it is only the first type of change that it has in mind; that is, changes expressly in tax expenditures rather in overall other tax rates.

But the draft bill fails to recognize that changes in the level of tax expenditures can be due either to new tax expenditure legislation or to changes in the overall tax rates. The bill should specify that only the first type of change is to be computed in enforcing the tax expenditure provisions of the budget process.

With respect to credit activity, the route taken by the draft bills hews closely to the emerging credit budget process in Congress. Under this scheme, direct and guaranteed loans would be subject to budget, appropriations, and authorizing action. In view of growing doubts over the need for three separate decisional processes in Congress, I would urge some variation from the conventional pattern by the task force. Moreover, I question why guaranteed loans should be placed in the same "backdoor" category as contract and borrowing authority. Unlike the latter which entail direct payments from the Treasury, guarantees are contingent liabilities which occasion Federal payments only in case of default.

Let me make clear that the issue I have just mentioned is different from the issue of off-budget spending or attributing the transactions of the Federal Financing Bank to the originating agency. I would endorse both proposals; that is, bringing the off-budget agencies onto the budgets and insuring that the agencies which utilize the Federal Financing Bank show that credit as an outlay in their accounts.

I might say that a further benefit from immediately bringing the off-budget agencies onto the budget, would be that if we add that amount to the budget and therefore to the deficit, there will be agreement between the President and CBO that the deficit is in excess of $200 billion at least we would not have to worry about them fighting over that magnitude.

I have some doubts concerning revolving funds. Indeed this might be the Pandora's box of the task force report. The draft bill would subject all revolving funds to appropriations controls, but there are many different types of these funds and different types of funding for them. I am not sure the logic of appropriations control applies equally to all revolving funds or that the Appropriations Committees which already have difficulty meeting the assigned deadlines would be able to exert meaningful and informed control during the brief period available to them. I would further note that the draft bill would continue the exemption of self-financed trust

funds from section 401 appropriations control. This exemption should apply to revolving funds as well.

The single resolution approach would legitimize many of the refinements introduced over the past decade. I have the feeling, however, that even if the draft bill were approved, the call for budgetary improvement and simplification would persist. Let me briefly suggest two areas where additional reform would be desirable.

The trend in Federal budgeting has been to tighten control over discretionary spending, but to do very little about so-called uncontrollable expenditures. Discretionary spending is subject to all three processes used by Congress: authorizations, appropriations, and budget resolutions. Mandatory expenditures effectively escape all three, except when reconciliation is applied to them. The crosswalks, scorekeeping reports, and points of order provided for in the draft bill would directly focus the budget process more on discretionary spending than is now the case. Mandatory expenditures, on the other hand, would be virtually exempted from budgetary surveillance and control. In view of the deficits that becloud Federal budget prospects, it is urgent that Congress strengthen its means of reviewing the level of mandatory expenditures.

The draft bill maintains and even extends the triplication of annual decisionmaking through separate authorizations, appropriations, and budget decisions. As I have noted, the three processes would be applied to credit financing and revolving funds. The comprehensive budget bill approach is an earnest attempt to come to grips with the implications of three distinct budget processes in Congress. I would urge that the task force devise means of easing the workload pressures, conflict, and confusion that derive from these processes. On a piecemeal and experimental basis, it should either seek to merge two of the processes or have them operate in different time frameworks, annual for one, multiyear for the other.

This concludes my statement, Mr. Chairman; I would be pleased to answer any questions that you may have.

[Dr. Schick's prepared statement, with attachment, follows:]

Statement of Allen Schick

Before the

Task Force on the Budget Process

February 8, 1984

Mr. Chairman, I appreciate this opportunity to discuss the proposals prepared by the Task Force for the improvement of congressional budget procedures. The Task Force is to be commended for presenting two complete options for consideration, along with draft legislation that enables us to assess how each would operate in practice.

The two proposals differ greatly in scope and purpose; hence, they require different forms of analysis. The single resolution approach would build on the experience of the past decade to improve the existing congressional budget machinery. It would incorporate many of the features developed in recent years and recognize them in the rules of the House. The comprehensive budget approach, however, would make far-reaching changes in the operation and procedures of the House.

While it would be appropriate to analyze the comprehensive approach as a single package, the single budget resolution has to be considered piecemeal, in terms of the changes that would be made in the existing budget process. After presenting my views on the two options prepared by the Task Force, I will briefly outline the future agenda for budget improvement. In addition, detailed comments pertaining to various sections of the draft legislation are appended to this statement. Although these comments are keyed to the single resolution approach, they also pertain to the many parallel provisions in the comprehensive budget option.

The Comprehensive Budget Bill

The comprehensive budget approach responds to serious problems that have beset the congressional budget process since its inception. These problems were incisively discussed several years ago by Mr. Obey and Mr. Gephardt. According to their analysis, the main problems are rooted in the conception of budget resolutions merely as frameworks for making separate revenue, expenditure, and other budget-related decisions. Budget resolutions coordinate rather than decide. As a result, each resolution assumes too much

political importance but has too little budgetary power. Like party platforms at the national nominating conventions, budget resolutions have become symbols of the ideological differences that exist within and between the major political parties. Total spending is politically important, not because it is determined in the resolutions but because Members must vote upon it. Votes on the deficit label Members as responsible or spendthrift, not because they actually close or widen the gap between revenues and expenditures, but because they have to stand up and be counted on this politically volatile issue.

A resolution that is politically important but fiscally weak gives rise to inconsistent budgetary behavior in Congress. Members can "cheap shot" the resolution, voting for lower expenditures in it, but turning around and demanding more money when their favorite spending bills are on the floor. They can decry deficit spending but not take any concrete action to raise more revenues or curtail expenditures. Moreover, the fact that the real decisions are made in revenue and spending bills--not in the highly visible budget resolutions--means that Congress has to vote repeatedly on the same issue, further aggravating budgetary conflict and congesting the legislative calendar.

The solution proposed in the comprehensive budget approach would be to convert the budget resolution into a budget plan that is formulated and enacted together with legislative decisions on revenue, spending, entitlement, and credit legislation. Congress would settle all budgetary scores in a single, consistent, and comprehensive package. The revenue and appropriations committees of Congress would continue to function as they now do, but rather than moving their bills through Congress one at a time, all their legislation would be combined in an omnibus measure, though the various parts would be separated again before being presented to the President for his signature or veto.

If it were to work according to script, the comprehensive budget scheme would ensure timely and consistent budget decisions in Congress, convert budget votes from symbolic actions into real decisions, and enable Members to clearly ascertain what they are voting on when they decide to raise or lower total spending. For this ideal situation to materialize, committees would have to adhere to rigid schedules and Members would have to be willing to vote for the total package even when they were unhappy about some of its parts. Committees and Members would have to exercise self-restraint and keep all non-germane provisions out of the bill. They also would have to markup their

revenue and spending bills pretty much in accord with the budget plan issued by the Budget Committee.

There is no precedent in the 200-year history of Congress for a comprehensive bill that spans all tax legislation, annual appropriations, entitlement laws, and credit programs. Even when the national government was much smaller, Congress saw fit to parcel its power of the purse among numerous bills. In this way, it ensured that if one measure was stalled in the legislative process, other "must" legislation could still be enacted into law. The comprehensive bill, however, would make the whole budget hostage to disagreement or bargaining over the parts. Congress would be upping the stakes in budgetary deadlock, and it most likely would have to up the ante to buy budgetary peace. Those determined to get their way would have their strength augmented in the recurring budget battles.

The closest antecedents of the comprehensive approach do not augur well for its success. The 1950 omnibus appropriations bills was confined to regular appropriations, yet it drew so much opposition that it was abandoned after only one year's test. The 1981 reconciliation bill did not cover any of the annual appropriations or the big tax measure, but it generated so much controversy that Congress has been forced to significantly scale down the reconciliation process. Two hundred years of congressional behavior offer meager support for the notion that committees and Members would be willing to package virtually a whole year's legislative output into a single measure.

One need not resort to "worst case" scenarios to identify serious problems that might bedevil the comprehensive approach. What would happen if one committee was unprepared to move its budget measure to the floor in tandem with the dozens of other pieces that would have to be welded together into a single measure? What would the House do if vote after vote rejects the whole package? The omnibus approach makes the floor the arena in which budget disputes are aired and fought out. But rather than bringing Congress closer to budgetary agreement, this may be a prescription for stalemate.

The good intentions that animate the comprehensive approach might not suffice to knit the many committees whose wills would have to be orchestrated into a harmonious group. I would urge that the Task Force move cautiously in this area. If greater comprehensiveness is the aim, why not strengthen the means by which the appropriations committees coordinate their 13 separate bills? Why not stengthen the reconciliation process which, as I will argue shortly, still can serve a useful role in the congressional budget process?

If Congress becomes accustomed to more integrated budgetary activity in these areas, it might provide experience for judging the feasibility of a comprehensive bill. Lacking such experience, the House would be putting all its eggs in a fragile budgetary basket.

The Single Resolution Approach

The single resolution approach would combine many of the features added during the past decade and a number of innovations to streamline the congressional budget process and improve the chances for completing action on the annual resolution in a timely manner. Of particular note are provisions that would make credit budgeting and multiyear targets regular features of the congressional budget process. The draft bill also attempts to rehabilitate the reconciliation process by expressly endorsing its use at the start of the annual budget cycle and by removing conventional authorizations from its reach. Whatever one thinks about the manner in which reconciliation was used in 1981, there can be little doubt that this is an essential instrument of budgetary control. Without reconciliation or a similar procedure, Congress would find it exceedingly difficult to curb the growth in mandatory entitlements which now consume the lion's share of the budget. By barring reconciliaton instructions for authorizations, the Task Force would ensure that this device is to be used only for those types of programs and expenditures that cannot be controlled through the regular appropriations process.

As noted earlier, an examination of the single resolution concept requires that the numerous proposed changes be reviewed. I would comment on some of the major proposals in this statement and submit a fuller list of comments in an appendix.

The Timetable. Congress has been troubled in recent years by its failure to enact the regular appropriations bills by the start of the fiscal year. In setting time aside for the many budget activities that have to be crowded into a single legislative session, it is important that the deadlines be realistic and workable. If they are not, budget reform will once again flounder.

Although the Task Force bill would alter many features of the current timetable, its approach is remarkably similar to that taken by the Budget Act. Like the Budget Act, the draft bill assumes that participants will act by the deadlines assigned to them. But if deadlines alone sufficed to ensure

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timely budget action, there would be no need to alter the dates now in effect. The few additional weeks secured by earlier submission of the President's budget and committee "views and estimates" reports cannot by themselves keep the congressional budget process on schedule.

In lieu of (or perhaps in addition to) deadlines, the Task Force might devise incentives and sanctions to promote timely budget action. I would suggest a twofold approach: first, the annual session should be zoned to facilitate floor consideration of each type of budgetary legislation during an assigned period of the year; second, the Appropriations Committee should be permitted to bring its bills, including unauthorized appropriations, to the floor without having to receive a special rule. If the authorizing committees have a clear field for their bills in the Spring and know that their failure to act will not impede the progress of appropriations measures, they will have a strong incentive to produce on schedule.

Revision of the budget resolution. The shift from two resolutions to a single resolution is in conformity with recent practice. Very early in the history of the budget process, Congress recognized (contrary to the expectations of the Budget Act) that to be effective budget control has to be applied when the first resolution is adopted. The second resolution comes too late in the cycle to be a means of budget control. This reasoning led to a shift in reconciliation from the second to the first resolution.

The Task Force, however, has gone beyond aligning the Budget Act with current practice. The draft bill provides that technical revisions can be made in the budget resolution without vote of Congress. These revisions can reflect changing economic circumstances. In my view, this would be a retreat from responsible budgeting. It would invite Congress to base its budget resolution on optimistic economic projections; if these failed to materialize, Congress could conveniently raise the spending and deficit levels without taking responsibility for this action and blame the economy for compelling it to make these adjustments.

I would point out that one of the significant modifications proposed by the Task Force would be to center budget control on discretionary action rather than on total expenditure. This means that only technical revisions that allow committees more dicretionary spending would be meaningful. With respect to mandatory and total spending, there no longer is any need to adopt a revised resolution if the levels set by Congress would be breached. One is drawn to the conclusion, therefore, that technical adjustments made without

House or Senate concurrence might be used to raise discretionary spending available to committess.

Line itemization. One of the most difficult problems plaguing the budget process is the balance between informed budget decisions on the one hand and the avoidance of detailed program decisions on the other. The making of a budget resolution cannot be a pig-in-a-poke exercise; committees and Members must have a sense of what they are voting for or against. But their votes cannot be so pinpointed as to preempt the rightful role of the authorizations and appropriations processes.

While the Task Force warns against line itemization, the cumulative effect of its recommendations would be to focus budgetary debate on program details rather than on fiscal policy and priorities. A major step in this direction is the proposal that section 302 crosswalks be itemized in the reports accompanying the budget resolution, not just in managers' statement on conference reports. Moreover, the itemization of tax expenditures and credit activities by function would triple the number of "boxes" into which the functions were allocated. I would urge the Task Force to consider means of curtailing the trend toward line itemization. One possibility would be to reduce the number of functions in the budget resolution; another would be to shift from functional to committee allocations in the resolution. Now that committee data are to be exhibited in advance of floor action on the budget resolution, it might be appropriate to take the additional step and structure the resolution itself along committee lines.

Tax expenditures, credit activity, and revolving funds. The Task Force properly encourages trade offs between direct expenditures and other forms of financial assistance. But it is important to recognize that (1) the various forms are not always true substitutes, and (2) tax expenditures and credit programs are not devised solely to evade budgetary controls.

At various points in the draft bill, the Task Force calls for data on changes in the level of tax expenditures. Focusing on changes sensibly avoids endless disputes as to how to add up all the tax expenditures provided by the federal government. But the draft bill fails to recognize that changes in the level of tax expenditures can be due either to new tax expenditure legislation or to changes in the overall tax rates. The bill should specify that only the first type of change is to be computed in enforcing the tax expenditure provisions of the budget process.

With respect to credit activity, the route taken by the draft bills hews closely to the emerging credit budget process in Congress. Under this scheme, direct and guaranteed loans would be subject to budget, appropriations, and authorizing action. In view of growing doubts over the need for three separate decisional processes in Congress, I would urge some variation from the conventional pattern by the Task Force. Moreover, I question why guaranteed loans should be placed in the same "backdoor" category as contract and borrowing authority. Unlike the latter which entail direct payments from the Treasury, guarantees are contingent liabilities which occasion federal payments only in case of default. There is no basis for assuming that the appropriations process is capable to assessing the degree of risk involved in guarantees. It could be that with guarantees brought under the appropriations process, Congress will increasingly see these loans as means of financing federal programs without providing additional funds. If this were to occur, the result would be more rather than less backdoor spending.

My doubts escalate when it comes to provisions of the draft bill concerning revolving funds. The bill would subject all revolving funds to appropriatons control. But there are various types of revolving funds and different sources of funding for them. I am not sure that the logic of appropriations control applies equally to all types of revolving funds or that the appropriations committees which already have difficulty meeting the assigned deadlines would be able to exert meaningful and informed control during the brief period available to them. I would further note that the draft bill would continue the exemption of self-financed trust funds from section 401 appropriations control. This exemption should apply to revolving funds as well.

The Next Round of Budget Improvement

Many of the provisions of the single resolution approach would legitimize the refinements introduced over the past decade and streamline budget procedure. I have the feeling, however, that even if the draft bill were approved, the call for budgetary improvement and simplification would persist. Let me briefly suggest two areas where additional reform would be desirable.

The trend in federal budgeting has been to tighten control over discretionary spending, but to do very little about so-called uncontrollable

expenditures. Discretionary spending is subject to all three processes used by Congress-authorizations, appropriations, and budget resolutions. Mandatory expenditures effectively escape all three, except when reconciliation is applied to them. The crosswalks, scorekeeping reports, and points of order provided for in the draft bill would be directly focused on discretionary spending than is now the case. Mandatory expenditures, on the other hand, would be virtually exempted from budgetary surveillance and control. In view of the deficits that becloud federal budget prospects, it is urgent that Congress strengthen its means of reviewing the level of mandatory expenditures.

The draft bill maintains and even extends the triplication of annual decisionmaking through separate authorizations, appropriations, and budget decisions. As I have noted, the three processes would be applied to credit financing and revolving funds. The comprehensive budget bill approach is an earnest attempt to come to grips with the implications of three distinct budget processes in Congress. I would urge that the Task Force devise means of easing the workload pressures, conflicts, and confusion that derive from these processes. On a piecemeal and experimental basis, it should either seek to merge two of the processes or have them operate in different time frameworks, annual for one, multiyear for the other.

Let me go back to the previous point about mandatory expenditure and suggest that Congress does not really have three processes; it has a double standard. The growth portions of domestic expenditure do not have annual--or even multiyear--authorizations, they have permanent--or the functional equivalent of permanent--appropriations, and they usually are listed in the budget resolution for information purposes only. As Congress tightens the budgetary screws on discretionary spending, it does little about the mandated budget.

I ask permission, Mr. Chairman, to place the appendix to this statement in the record.

COMMENTS ON SECTIONS OF THE DRAFT BILL FOR A SINGLE RESOLUTION

Sec. 300. Timetable. Earlier submission of the President's budget (the first week of January rather than 15 days after Congress convenes) will be useful only if the House and Senate organize more expeditiously. In many recent years--and 1984 has been no exception--Congress has convened late in January. Thus, early submission of the President's budget might make for a good New Year's resolution; it cannot ensure a more timely budget resolution.

I would urge that a deadline be retained for reporting of authorizing legislation. While it has not been as effective as was hoped for in the 1974 Act, the May 15 deadline does spur authorizing committees to move more quickly than might otherwise be the case. Indeed, consideration should be given to a deadline on the enactment of authorizations, and (as suggested in my statement) to setting aside floor time for authorizing legislation.

Sec. 301(d) Views and Estimates. If committees now have difficulty meeting the March 15 deadline, they might have even more trouble with the new February 25 date. The earlier submission date might encourage even more hedging and vagueness than currently exists. Early organization of Congress is essential and the Jefferson-Jackson recess might be troublesome.

Sec. 302(a) Crosswalks. I am troubled by the required allocation of discretionary expenditure in subsection (a) and the permissive allocation of total expenditure in subsection (e). While the distinction between total and discretionary is essential for the budget controls proposed in the draft bill, it still would be quite useful to crosswalk total spending, for the following three reasons: (1) Without totals, there may be confusion as to how the budget is to be allocated and each committee's share of it; (2) With the totals, it should be possible (through reconciliation) to give each committee a negative allocation for "nondiscretionary action", thereby impelling them to act; (3) With the totals, committees can be given the option of increasing their allocation for "discretionary action" to the extent that they reduce mandatory expenditure. This might encourage increased budget control.

My statement comments about allocations to committees in the reports accompanying budget resolutions, rather than just in the joint explanatory statement for conference reports. Not only might this encourage "line item" budget debates and floor amendments, it might take away some valuable ambiguity in translating functional categories into committee allocations. With committee allocations known in advance, there might be heightened conflict over budget shares.

Sec. 302(c) Point of Order. Should the draft bill expressly provide waiver procedures (perhaps involving the Budget Committees) for failing to file a section 302(b) report? There might be legitimate reasons for this failure or the need to act on emergency legislation.

Sec. 302(d) Revised Crosswalks. Inasmuch as Sec. 302 allocations are to be required only for discretionary action, it would be appropriaite to limit these revisions to those made pursuant to Sec. 304(a) and to thereby prevent revisions in discretionary amounts when the budget resolution is revised unilaterally by the Budget Committees because of "technical reestimates."

Sec. 303(a)(5) Credit Authority. Under the draft bill, it would make no sense to list credit authority as legislation that cannot be considered prior to adoption of the budget resolution. The proposed Sec. 402(a) of the draft bill would convert credit authority into conventional authorizations subject to annual appropriations. If this is so, credit authority authorizations should be permitted prior to adoption of the budget resolution, in the same manner as other authorizing legislation.

Sec. 303(b)(1) Advance Appropriations. I'm not 100% sure what this language means, but it would seem to preclude advance appropriations, such as those made in some years for education programs. Is this the intent? Is it desirable to bar advance appropriations?

Sec. 304(b) Reestimates. For reasons set forth in my statement, this procedure would invite escapisit budgeting and mischief. I strongly urge its deletion. If this method of revision is to be allowed, perhaps it should require a 2/3 (rather than majority) vote of each budget committee.

Sec. 308(a) Credit Authority. Once again, I am puzzled by the bracketing of credit authority with BA and entitlements. It's especially difficult to understand, in view of the phrase "authorization of new credit authority" which appears in paragraph 3 of this subsection. Compare this to the terminology in subsection (b). The attitude that credit programs are bad permeates the bill. Yet direct and guaranteed loans can be a legitimate and efficient form of federal assistance.

Sec. 309(a) Appropriations. The penalty for failing to complete action on regular appropriations is quite weak in the House and nonexistent in the Senate. The timetable should be cognizant of things like the July 4 and August recesses and the national nominating conventions.

Sec. 310(a) Reconciliation. As mentioned in my statement, it is important to distinguish between changes in tax expenditures due to new tax expenditure legislation and those due to changes in tax rates. It would be possible to meet reconciliation instructions for reduced tax expenditures by lowering income tax rates. Rather than producing more revenue, the result would be less.

Sec. 310(c) Authorizations. I strongly endorse the Task Force's recommendation that authorization levels not be subject to reconciliation. But the language in this subsection may go further than intended. An "authorization for enactment of budget authority" seems to include appropriated entitlements. Technically speaking, the authorizing legislation just authorizes while the funds are provided in an appropriation. This is a tricky problem, but I would argue that appropriated entitlements should be within the scope of reconciliation.

Sec. 310(d) Reconcilation This is not strong enough. I would prefer a provision that gives the Budget Committee privilege to take an amendment to the floor if the committee of jurisdiction fails to adheere to the instructions. The House (and Senate) would still have an opportunity to decide whether to adopt the proposal of the Budget Committee or to favor the stance of the committee of jurisdiction.

Sec. 311(a) Budget Limits. In view of the exception in subsection (b) and the provision in section 312, this section no longer is needed. If my reading is correct, points of

order can be raised only when committee allocations (rather than budget totals) are breached. The only difference between sections 311 and 312 is that the former requires that both totals and committee allocations be violated while the latter requires that only committee allocations be breached. Pick the version that you like and stay with it. There are some differences in phrasing between the two sections but these are likely to generate confusion.

Sec. 401(c)(2)(D) Monetary Credits. This new provision would make so-called monetary credits subject to the appropriations process. If this is the purpose, why limit it to credits provided through foregone offsetting receipts? I believe that monetary credits can also be provided (and are in a few cases) through foregone revenues.

Sec. 401(c)(2)(E) Revolving Funds. I would urge in the strongest terms that the Task Force inform itself of the scope and implications of this provision before recommending it. It covers all types of revolving funds and would seem to require that these funds (including enterprise funds) be budgeted on a gross rather than net basis. This may be the most far-reaching provision of the entire draft bill.

Sec. 401(e) Estimates. I'm not sure what this new provision seeks to accomplish, but it can make for a great deal of confusion. It would require up-to-date (and presumably revised) cost estimates as entitlements move through the legislative process. In my view, new estimates should be made only when provisions are changed through floor amendment, conference action, etc. The current practice of freezing the "baseline" in the Spring means that cost estimates may be out of date when the legislation is enacted, but at least there is widely-shared understanding and acceptance of the estimates. Take entitlements as a case in point. This subsection would seem to require continuously revised estimates of entitlement legislation developed pursuant to reconciliation instructions. This could play havoc with the process.

Sec. 402(a) Credit Authority. Once again, I would question the wisdom of this provision. The Task Force should be aware that the real issue here is not budget control, but the respective jurisdictions of authorizing and appropriating committees.

TITLE III

Sec. 302(c)(4) Baseline Projections. This provision (on p. 91 of the draft bill) is confusing. The first part refers to permanent authority which might have temporary provisions. What does this mean? The second part provides that baseline projections for discretionary appropriations shall be adjusted for inflation. What about adjustments for non-discretionary appropriations. such as entitlements which are not indexed? This needs to be rewritten.

Sec. 303 Current Services. The Task Force might consider conforming the definition of current services used by the Administration and the current policy baseline used by Congress. Note the manner in which the current services estimates have been made for defense spending.

Sec. 309 Suspensions. In my view, the ceiling should be above $10 million. If the current ceiling used by the Democratic Caucus ($100 million, I believe) is deemed too high, the Task Force might settle for about $50 million.

TITLE IV

Sec. 401(a) President's Budget. It may be unwise to separate the submission dates for the President's budget and the details. The budget itself (as prescribed in 31 U.S.C. 1105) can contain much less than is now submitted in the Budget. Congress is not likely to get much of a head start if it has to wait for the appendix, justifications, and other material.

Mr. BEILENSON. Thank you very much, Professor. Your testimony was very useful, particularly when you got down to specifics.

I would agree with you completely on some of the things about which you have not been too specific. You point out quite properly that we ought to do more about mandatory programs. Have you been thinking about this? Do you have any useful ideas at all for us?

Dr. SCHICK. Yes. One of the ideas is referred to in the appendix to the statement, is that the task force should not only affirm the validity of the reconciliation process, but strengthen it in one specific instance, and that is expressly with respect to mandatory entitlements.

If a reconciliation directive is presented to a committee, and that committee fails to respond to that directive, I would suggest that the Budget Committee be privileged to move an amendment on the floor with respect to that item.

Now, that does not mean the Budget Committee will prevail. The recommended procedure would give the House the opportunity to decide whether to adopt the course recommended by the Budget Committee or the action or inaction of the committee of jurisdiction. But at least the House would have the opportunity to vote. I think that if the House in the first instance has instructed a committee to report savings in mandatory expenditures, in the second instance, when it votes on a reconciliation bill, the House should have the opportunity to register its views and approve the savings even if the committee of jurisdiction has not adhered to the reconciliation instructions.

Mr. BEILENSON. You are referring to section 310(d) in your appendix?

Dr. SCHICK. Right.

Mr. BEILENSON. We have something similar to that. We say rules could make in order an amendment if a committee fails to respond to its reconciliation directives.

Did we get that under the authority?

Dr. SCHICK. That is right. The Rules Committee would be able to order an amendment, but it could do that under the current rules of the House, so there would be no change in the situation.

Mr. BEILENSON. We make it explicit in our proposal so that we could take advantage of that authority.

Dr. SCHICK. The virtue of allowing the Budget Committee to proceed with its own floor amendment is not that the Budget Committee will proceed. That will happen very rarely, because you want to avoid floor confrontations.

The advantage, however, is that the committee of jurisdiction will have more incentive to accommodate itself to the reconciliation instructions.

Mr. BEILENSON. Giving committees that incentive was our intention too.

I suppose there is no way you can properly change mandatory programs to require annual revision or appropriations, is there?

Dr. SCHICK. Most mandatory entitlements ought to be permanent programs. The very concept of an entitlement which stabilizes expectations conflicts with annuality in appropriations. We have to recognize the modern role of Government and the kind of society

we are, and it is quite legitimate to stabilize expectations and incomes. The question which vexes Congress is not whether to have entitlements but their role in budgetary growth. More than 100 percent of domestic increases in this year's budget are accounted for by growth in entitlements. In fact, there is some decline in discretionary spending proposed by the President.

I would suggest that Congress retain entitlements but that it have discretion with respect to their growth. That might mean deindexation of entitlements; to enable Congress to assess spending increases in the light of other claims on the budget and economic conditions.

If Congress were to deindex entitlements, care should be given to avert a return to the situation which prevailed prior to indexation, when Congress often voted increases above the rate of inflation. We would have the worst of all worlds then.

Mr. BONIOR. Right before an election.

Dr. SCHICK. Yes. There has to be a way of sheltering Congress from this difficult predicament. I happen to think that one of the most valuable roles of the President in the kind of society we live in today is Congress in performing its budgetary responsibilities of sheltering it from political pressures. One of the shortcomings of the present administration in its relationship with the Congress over the last 3 years, has been its failure to make it easier for Congress to make hard decisions.

The White House, whether Democratic or Republican whether or not party control is divided must, under our system of government, recognize the exposure and vulnerability of Congress and assist it in making these decisions. That is very important to do.

Mr. BONIOR. I would really like Professor Schick to be very specific because I want to be sure I understand what he and Mr. Staats were saying. In terms of reconciliation, what do you see in our language that permits reconciling certain types of entitlements, but prevents us from doing it with other entitlements? Is that a flaw in the way this is drafted?

Dr. SCHICK. If you look at page 78 of the draft bill, you will see line 9 that bars reconciliation with respect to an authorization for enactment of budget authority. Appropriated entitlements, technically speaking, can be regarded as authorizations of budget authority.

[The document being referred to may be found in the committee files.]

Mr. Staats referred to de facto entitlements. Appropriated entitlements have annual appropriations, but budgetary control is exercised at the legislative stage, not when the appropriation is acted upon. Although the authorizing legislation establishes a right to funds from the Treasury, in terms of the definition that governs this draft bill, the appropriated entitlement is still only an authorization.

Mr. FROST. We do reach those but, as the bill is drafted, we could not reach that.

Mr. BEILENSON. Forgive me, we disagree.

Mr. MEREDITH. We have made an attempt on page 78, section 310, to list the specific targets for reconciliation. The attempt in this language is to make the entire budget base open to reconcilia-

tion. What we have done on line 24 there is to list spending authority described in section 401(c)(2), which includes entitlement authority so the whole base is open as far as our intent is concerned.

Dr. SCHICK. If that is the intent, I would urge you to clarify it because 401(c)(2) expressly defines an entitlement as budgetary authority provided in advance of appropriation bills. Appropriated entitlements do not have their budgetary authority provided in advance. I share the intent; we are not disputing that. I would urge clarification of the task force's intent in the draft bill.

Mr. FROST. Mr. Chairman, I consider this to be a very important point because that was my understanding prior to today's testimony, that we were to reach all entitlements.

Mr. BEILENSON. Absolutely. We appreciate your suggestion.

Dr. SCHICK. It takes slight changes in wording to nail this down.

Mr. BEILENSON. Did you have some proposed wording on this?

Dr. SCHICK. I can provide some for the record.

Mr. BEILENSON. Please send it along.

Are there any other questions over here?

Mr. Derrick?

Mr. DERRICK. Back to the backdoor spending, if a committee felt that it was necessary to include a provision which would violate the restriction let them come before the Rules Committee and testify as to why an exception should be made, and if the Rules Committee agrees, they could waive it. Would that not be a reasonable approach for revolving funds?

Dr. SCHICK. No.

With respect to revolving funds, I would think that more study is required; that is, the revolving funds category, covers, in my judgment, many different kinds of financing mechanisms.

Mr. DERRICK. How would you get around the problem of backdoor spending?

Dr. SCHICK. I would put that in the next round of budget reform, sir. I think the state of understanding of revolving funds does not suffice to move this far or fast. The draft provision would not only make them subject to appropriations, but it might also change their budgetary basis from net to gross. There is controversy as to whether or not that ought to be done.

Mr. MEREDITH. By the way, the new spending we were just talking about describes and includes the residual ones. The residual spending we define which includes all spending resulting from whatever type of authority given, so, in that sense, you would be picking up entitlements.

To get to your point on revolving funds, the intention is not to put new revolving funds under the control of appropriations. That is a separate issue as to whether that would be desirable.

The intention with regard to the revolving fund provisions is to flush them out. It is to put the burden on the party who wants it to say yes, this is a legitimate way to go.

There is no systematic review of proposals for revolving funds now. A particular interest group simply captures certain proprietary receipts, has them put in a revolving fund, and they are available forever more without review by the authorizing or Appropriations Committees. With this language once the committee hears the arguments and decides a revolving fund should be established,

it may be done. The intention is not to put it within the annual control of an appropriations process.

Dr. SCHICK. I believe the bill may go beyond your statement, sir, because it covers all enterprise funds. The income of enterprise funds now generally is not regarded as budget receipts. These are businesslike transactions and often involve huge amounts of money. TVA would be exempted because of the other section in 401.

I would like to draw an analogy between credit budgeting and revolving funds. Credit budgeting probably is one of the most notable successes of the congressional process over the last decade. Ten years ago, nobody knew what the situation was with credit. But now, we have a procedure which controls credit and is based on a logical understanding of what we are doing. This accomplishment was achieved over a period of years.

First, we identified the types and extent of credit activity. I worked with the gentleman from South Carolina some years ago in taking some of the early steps.

After we were aware of the role of credit in budgeting it was possible to design workable controls. In the case of revolving funds, we are proceeding the other way—first, we control and then we find out what we are controlling.

I would suggest a provision in the draft bill which sets into motion the process of developing a revolving fund budget. After we know exactly what they are, we would be able to establish control.

Mr. PANETTA. You say that the next step in budgeting is to address mandatory expenditures. How do you reconcile those two statements?

If the budgeting gets into addressing budgetary expenditures or mandatory expenditures, do we not have some difficulty?

Dr. SCHICK. I do not have any difficulty. The budget resolutions coordinate rather than decide. The statement you refer to appeared in the discussion of the comprehensive budget bill approach; in the course of my statement I tried to explain the argument in support of that comprehensive bill approach.

Mr. PANETTA. It is not your position?

Dr. SCHICK. No, but as my statement made clear, I would prefer the other approach offered by the task force.

Mr. PANETTA. You want us to take an aggressive position?

Dr. SCHICK. That is right.

Mr. PANETTA. What about the Appropriations Committee? Should they not be permitted to bring up spending that has not been authorized without having to receive a special rule? Doesn't that really eliminate authorization committees?

Dr. SCHICK. Not if you do two things. First, you block out a period of time in the session——

Mr. BEILENSON. That is your zoning proposal?

Dr. SCHICK. Yes, for the consideration of authorizing bills; second, you tell authorizing committees that the House is prepared to move their bills during this period or the Appropriations Committees can move their bills. If one looks at the rules of the House, we know that appropriation bills are privileged under the rules. As a matter of fact, until relatively recently, there were only two types of bills that had privilege—appropriation bills and revenue bills.

There was a logic behind according privilege to those measures. The Government of the United States cannot be impeded by failure to enact appropriations bills. The ability of the Government to pay its expenses should not be impaired by delay; that is why revenue bills are privileged.

So, historically, privilege has been accorded to these two classes of bills.

By delaying appropriations until authorizations have been enacted, we are denying them the privilege the rules give to money bills. I suggest we return the privilege to them but also enable the authorizing committee to act on a timely basis.

Mr. PANETTA. That is a nice speech. I would certainly be willing to give it, were I on the Appropriations Committee, because is what you are saying is that the Appropriations Committee should be allowed to run through with their bills, notwithstanding the progress of authorization bills.

Dr. SCHICK. I read my proposal as just the opposite.

If this were enacted, it would give authorizing committees a period of time during the year which is theirs. It would also give them fair notice as to what will happen if their legislation is not acted on in a timely manner.

Mr. BEILENSON. Let me intervene, if I may, if the gentleman will yield, to tell the professor we have tried to do that, in effect, both in our proposal and, for this year, informally, without asserting ourselves beyond our perceived jurisdiction.

We have asked the leadership on behalf of the entire task force,—and this is being carried out to a certain extent to advise the authorization committees that they will have April and part of May on the floor, to advise the Appropriations Committee that they will have the complete month of June, and to tell the authorizing committees that if they don't get their bills out early, the Rules Committee will waiver rule 21 and allow the appropriations to go before the authorizations. So, we are trying to create "zones" in that manner without changing rule 21 which is beyond the budget process.

I agree with you as we all do, that using a zone system, or whatever you might want to call it, is really the function of the leadership. We could set up another timetable that you or Mr. Gregg or somebody else might suggest, but we would still have the problem of seeing to it that the committees hew to that schedule. We would always have that problem and we will always have to rely on leadership to enforce the schedule.

If we make it clear—as we tried to do in our proposal—that the last appropriation bill has to be reported early in June, then June floor time will be given over to appropriations bills. It follows that if the authorization committees want to remain relevant will they have to act in a timely fashion. If they fall by the wayside one year, they will realize, gee, nobody paid any attention to us so we had better do better next year.

Dr. SCHICK. If I might make two brief comments, Mr. Chairman.

First, I agree with what you have said about the leadership giving notice to the authorizing committees. The only reason why I suggest that this procedure be incorporated in the rules is because the House has had the experience of a whip notice issued on Friday

which is not followed on Monday, and for good reason. This procedure would clarify what is going to happen.

Second, when I originally composed this statement, I had three proposals in the last section rather than two. The third proposal dealt with the role of the leadership in the budget process. I eliminated that section of my statement because a proper understanding of the history and the functioning of the House requires one to appreciate why the rules of the House are virtually silent with respect to the role of leadership. That is silence is golden. Congressional roles evolve all the time and one cannot, except by imposing great rigidity on the House, inscribe what the leadership role should be in any particular session of the Congress. But we have seen in recent years the growing participation by the leadership in the budget process, and I would expect this trend to continue precisely in the direction that you have suggested.

Mr. BEILENSON. One of the things we do suggest which would be included in our task force report, although it is not a proposed change in statute or House rules, is to have monthly leadership announcements, beginning February 1 each year, for the scheduling of major authorizations affecting the budget year. We are trying to focus everybody's attention on the opportunity to play their rightful role.

If some of the committees do not report early, they will become irrelevant, because we will waive rule 21 so that appropriations bill can go to the floor in June.

Mr. GREGG. What are the proposals you talked about for getting at the mandatory expenditure?

Dr. SCHICK. The principal proposal would be to effectively control the expenditure growth of entitlements from year to year. The issue should not be entitlements versus no entitlements.

Mr. GREGG. The indexing is just a legislative action which you have to build up a constituency for.

Do you have a budgetary proposal that gets to the issue of reconciliation?

Dr. SCHICK. I agree it would take legislative action.

Mr. BEILENSON. Legislative action on entitlements is a substantive rather than a procedural issue which we probably should not be involved with here, although I would agree that something should be done.

My original, perhaps naive, question to you was, is there some way we can require yearly review of entitlement programs, and you answered that said we should not subject them to appropriations or anything like that. We agree amongst ourselves, at least the four of us who are here, that with respect to the growth of them, perhaps we ought to have an automatic review each year. Maybe the best way and simplest way would be to de-index.

However, as you pointed out, Professor, there is a possibility—although I am not sure we could do so anytime in the near future—that if we de-index we will start providing benefit increases indexing at a higher rate than the CPI.

Mr. PANETTA. The question goes beyond the problem of indexing on social security and other entitlement programs. Unfortunately, the deficit crisis forces that review at the present time. If there

were something that could be built into the process to force review on a regular basis, I think it would be helpful.

Mr. BEILENSON. We are aware, Leon, that we have to deal with those parts of the budget—defense, entitlements, and so on—in some meaningful way over the next year or two.

Dr. SCHICK. What you just suggested opens the door to a possible device. I refer in my report to the possibility of reducing the number of functions in the resolution so as to avoid line itemization.

Now, if the task force's recommendations are implemented, you will have committee allocations, credit allocations, and tax expenditure allocations. It might make a great deal of sense to have the crosscutting categories of the sort you have mentioned. In fact,they are the categories used increasingly by OMB and the Budget Committee to logically approach the budget.

If one entry in a budget resolution is called entitlements and another one is discretionary domestic spending, and another one is called defense programs, that allows the House to decide how much to allow for entitlement increases before it confronts the constituencies on each entitlement. It can work, and it offers some possibility of exerting pressure in the other direction. It is actually what has been done in the last couple of years, with the exception of social security, to achieve some modest reductions.

Mr. GREGG. How do you enforce that?

Dr. SCHICK. It would have to be hitched to reconciliation.

Mr. PANETTA. You are talking about packaging it in terms of the resolution. If you take defense, entitlements, interest payments, you are talking about the 85 percent of the Federal budget. Unfortunately, most members are not aware of that breakdown. By structuring the budget resolution based on these different areas, you would make clear what needs to be addressed if you really want to deal with the deficit.

Mr. BEILENSON. Are there any other questions of the professor while we have him here?

Mr. PANETTA. What about the Senate side. How are the two approaches viewed over there?

Dr. SCHICK. The Senate does not have a comparable task force moving right now, but I think many of the resolutions incorporated under the single rule of the House could be adopted by the Senate Budget Committee under the sort of elastic clause of the budget process.

A comprehensive approach would be more troublesome because the Senate would see that as far-reaching change, which could not be implemented it unilaterally.

Mr. BEILENSON. The Senate is very much aware of our work Mr. Domenici, in fact submitted detailed comments on our proposals. If we are successful over here in agreeing to a process that is not all that different from their current modus operandi, perhaps there will be no problem getting agreement to our proposals over there.

Thank you very much for coming. We will read through your specific comments and we may call you up in the future to ask you about some more of the details.

If there are no other questions, we are adjourned until 10 o'clock tomorrow morning.

34-033 O—84——5

[Whereupon, at 11:58 a.m., the task force recessed, to reconvene at 10 a.m., Thursday, February 9, 1984.]

[The following was submitted for the record by Mr. Murtha of Pennsylvania:]

APPROPRIATION BILLS

	Calendar Year 1975			Calendar Year 1976		
	Reported	Passed House	Passed Senate	Reported	Passed House	Passed Senate
Agriculture	July 10	July 14	July 25	June 8	June 16	June 23
Defense	Sept 25	Oct 2	Nov 18	June 8	June 17	Aug 9
D.C.	May 21	May 26	June 17 (1976)	Aug 10	Aug 24	Aug 30
Energy-Water	June 20	June 24	Dec 6	June 8	June 15	June 23
Foreign Aid	Mar 1	Mar 4	Mar 23 (1976)	June 8	June 29	Sept 10
HUD-I.A.	June 19	June 24	July 26	June 8	June 22	June 26
Interior	July 18	July 23	Nov 20	June 8	June 25	June 26
Labor-HEW	June 19	June 25	Sept 26	June 8	June 24	June 30
Legislative	May 13	May 21	July 9	June 8	Sept 1	Sept 8
Military Con.	Oct 3	Oct 8	Nov 6	June 8	June 16	June 26
State-Justice	June 20	June 26	Sept 3	June 8	June 18	June 24
Transportation	June 26	July 10	July 25	June 8	June 28	July 1
Treasury-P.S.	July 11	July 17	July 26	June 8	June 14	June 24

APPROPRIATION BILLS

	Calendar Year 1977			Calendar Year 1978		
	Reported	Passed House	Passed Senate	Reported	Passed House	Passed Senate
Agriculture	June 2	June 21	June 29	June 13	June 22	Aug 10
Defense	June 21	June 30	July 19	July 27	Aug 9	Oct 5
D.C.	Sept 8	Sept 16	Oct 4	July 13	July 21	Aug 14
Energy-Water	June 2	June 14	July 13	June 1	June 16	Aug 10
Foreign Aid	June 15	June 23	Aug 5	June 1	Aug 14	Sept 22
HUD-I.A.	June 2	June 15	June 24	June 1	June 19	Aug 7
Interior	June 6	June 9	June 17	June 1	June 21	Aug 9
Labor-HEW	June 2	June 17	June 29	June 1	June 13	Sept 27
Legislative	June 21	June 29	July 18	June 1	June 14	Aug 7
Military Con.	June 2	June 21	June 29	June 1	June 16	Aug 3
State-Justice	June 2	June 13	June 24	June 1	June 14	Aug 7
Transportation	June 2	June 8	June 23	June 1	June 12	June 23
Treasury-P.S.	June 2	June 8	June 20	June 1	June 7	June 27

APPROPRIATION BILLS

	Calendar Year 1979			Calendar Year 1980		
	Reported	Passed House	Passed Senate	Reported	Passed House	Passed Senate
Agriculture	June 7	June 19	July 19	June 17	July 30	Nov 25
Defense	Sept 20	Sept 28	Nov 9	Sept 11	Sept 16	Nov 21
D.C.	June 21	July 17	July 27	Aug 28	Sept 3	Nov 17
Energy-Water	June 7	June 18	July 18	June 16	June 25	Sept 10
Foreign Aid	June 14	Sept 6	Oct 12	July 29	2/	----
HUD-I.A.	June 7	June 27	July 27	June 19	July 28	Sept 23
Interior	July 23	July 30	Oct 18	July 2	July 30	Nov 17
Labor-HEW	June 7	June 28	July 20	Aug 21	Aug 27	2/
Legislative	June 7	1/	----	June 17	July 21	2/
Military Con.	June 7	June 18	Nov 14	June 17	June 27	Sept 17
State-Justice	June 7	July 12	July 24	June 13	July 23	Nov 17 3/
Transportation	June 13	Sept 18	Nov 1	July 24	July 31	Sept 18
Treasury-P.S.	June 7	July 16	Sept 6	June 13	Aug 20	2/

1 Failed of passage June 13, 1979
2 Funded through Continuing Resolution, P.L. 96-536.
3 Vetoed December 13, 1980; funded through Continuing Resolution, P.L. 96-536.

APPROPRIATION BILLS

	Calendar Year 1981			Calendar Year 1982		
	Reported	Passed House	Passed Senate	Reported	Passed House	Passed Senate
Agriculture	July 9	July 27	Oct 30	Sept 9	Sept 21	Sept 28
Defense	Nov 16	Nov 18	Dec 4	Dec 2	Dec 8	3/
D.C.	Sept 17	Sept 22	Oct 30	Sept 21	Sept 30	Dec 7
Energy-Water	July 14	July 24	Nov 5	Sept 21	3/	----
Foreign Aid	Sept 22	Dec 11	Dec 11	3/	----	----
HUD-I.A.	June 25	July 21	July 30	Aug 10	Sept 15	Sept 24
Interior	June 25	July 22	Oct 27	Dec 2	Dec 3	Dec 14
Labor-HEW	Sept 23	Oct 6	1/	Sept 29	Dec 1	3/
Legislative	July 9	2/	-----	Sept 9	4/	----
Military Con.	July 23	Sept 16	Dec 4	Aug 11	Aug 19	Sept 29
State-Justice	July 16	Sept 9	1/	Aug 10	Dec 9	3/
Transportation	July 17	Sept 10	Nov 3	Aug 19	Sept 21	Dec 2
Treasury-P.S.	July 9	July 30	1/	Sept 22	Nov 30	3/

1 Funded through Continuing Resolution, P.L. 97-92.
2 Funded through Continuing Resolution, P.L. 97-51.
3 Funded through Continuing Resolution, P.L. 97-377
4 Funded through Continuing Resolution, P.L. 97-276

APPROPRIATION BILLS

	Calendar Year 1983			Calendar Year 1984		
	Reported	Passed House	Passed Senate	Reported	Passed House	Passed Senate
Agriculture	June 3	June 8	June 29 1/			
Commerce-Just.	June 3	Sept 19	Oct 21			
Defense	Oct 20	Nov 2	Nov 9			
D.C.	June 23	June 29	July 27			
Energy-Water	May 24	June 7	June 22			
Foreign Aid	1/	----	----			
HUD-I.A.	May 24	June 2	June 21			
Interior	June 21	June 28	Sept 21			
Labor-HEW	Sept 15	Sept 22	Oct 4			
Legislative	May 25	June 3	June 23			
Military Con.	June 9	June 21	July 27			
Transportation	June 16	June 22	July 15			
Treasury-P.S.	Oct 18	Oct 27	1/			

1 Funded through Continuing Resolution, P.L. 98-151.

CONGRESSIONAL BUDGET PROCESS

THURSDAY, FEBRUARY 9, 1984

HOUSE OF REPRESENTATIVES,
TASK FORCE ON THE BUDGET PROCESS,
COMMITTEE ON RULES,
Washington, D.C.

The task force met, pursuant to notice, at 10 a.m., in room H-313, the Capitol, Hon. Anthony C. Beilenson (chairman of the task force) presiding.

Present: Representatives Beilenson, Penny, Derrick, Bonior, Aspin, Regula, Daub, Gregg, Loeffler, Panetta, and Gephardt.

OPENING STATEMENT OF HON. ANTHONY C. BEILENSON, CHAIRMAN OF THE TASK FORCE ON THE BUDGET PROCESS

Mr. BEILENSON. Let's get started now, if we may.

We apologize for having only a few of us here. The Republicans are apparently in caucus on Lebanon, and some of our Democrats are at other meetings.

Today the Task Force on the Budget Process is holding its second of 2 days of hearings this week on our proposals to improve the congressional budget process. We have asked the witnesses who are testifying at this week's hearings to present their views on either or both of the two comprehensive proposals that the task force has drafted. We anticipate using the testimony we receive to help us determine whether additional refinements are needed before our recommendations are submitted to the Rules Committee. I will not go through describing our proposals at this point. I did that yesterday, when Mr. Daub and others were here. So we will simply say that our hearing today will begin with testimony from CBO Director Rudy Penner, who will be followed by Assistant Comptroller Harry Havens. Then we will hear from some House Members, including Messrs. Conte, Mineta, Obey, Bethune, and Edwards; and they will be followed by former Rules Committee Chairman Dick Bolling, who will be good to see again.

Dr. Penner, we appreciate your taking the time to come and present testimony. We are pleased to hear from you.

STATEMENT OF RUDOLPH G. PENNER, DIRECTOR, CONGRESSIONAL BUDGET OFFICE, ACCOMPANIED BY RICHARD EMERY AND ROBERT HARTMAN

Mr. PENNER. Thank you very much, Mr. Chairman. I am very pleased to be here.

We are all painfully aware of the dimensions of the budget problem before us. Earlier this week, the Congressional Budget Office released the three parts of our annual report which document the problem: "The Economic Outlook," "Reducing the Deficit: Spending and Revenue Options," and "Baseline Budget Projections for Fiscal Years 1985 through 1989." I have appeared before the House and Senate Budget Committees and will be meeting with the Joint Economic Committee [JEC] this afternoon. I do not have to inform this group that solving the budget deficit problem will be extremely difficult. It will require the resolution of some of the most intellectually profound and complex questions that can confront a Nation: namely what should the Federal Government be responsible for in our society and who should pay for it?

A process, no matter how well designed, cannot make difficult problems easy. It can make the debate more orderly and help to bring useful information to bear on the proceedings at crucial times during the discussion.

The proposals to improve the congressional budget process drafted by the House Committee on Rules Task Force on the Budget Process would establish the essential procedural framework for implementing a comprehensive deficit reduction plan. I believe that the task force should be complimented on its efforts to make the process both less arduous and more effective.

Both the single budget resolution approach and the comprehensive budget bill approach would require outyear figures to be included in the budget plan and in reconciliation. A multiyear approach to resolving the budget problem is essential because specific outlay-reducing and tax-raising options can have very different effects in the short and long run. Both approaches would establish credit budget and tax expenditure budgeting procedures and both would require existing off-budget activities to be included in the unified budget.

The single budget resolution approach formalizes changes that have evolved in the budget process established by the 1974 Budget Act. It should aid in the consensus building aspect of solving the deficit problem. Strongly held political values are at stake and the ordinary political arena often impedes rather than assists the kinds of compromises needed to achieve agreement. The debate in the Congress over the budget resolution provides a forum for hashing over differences, and the resolution itself provides a written charter of the agreements reached. I think it helps keep the focus on the issues, but it can only provide a vehicle for hard compromises that first must be made by Congressmen and accepted by their constituents. The comprehensive budget bill, on the other hand, does not force an initial consensus. But by concentrating all budget legislation into one omnibus bill with one vote, it may enhance the probability that a consensus will endure once it is reached.

In a November 9, 1983, letter to you, Mr. Chairman, and an attached memorandum, I provided detailed comments on the single resolution approach. If I may, I would like to have a copy of those comments inserted in the record of these hearings.

Mr. BEILENSON. That will be valuable. I think they appear at everybody's place up here. [See p. 77.]

Mr. PENNER. Most of my comments on the single resolution approach would apply equally to the comprehensive budget bill approach, since many provisions are the same in both proposals.

I would like to reiterate my concern about the technical problems presented by implementing tax expenditure controls. As noted in pages 6 to 8 of our detailed memorandum, estimating tax expenditures will require fairly arbitrary definitions and explicit counting rules. [See p. 86 to 88.] If you go that route, I think those should be resolved as part of the legislative history of the effort. Similar problems have been worked out in implementing spending controls in the past. Keeping score of tax expenditures is possible, but it will require flexibility on the parts of the Ways and Means, Finance, and Budget Committees.

I would also like to highlight an additional concern raised by the comprehensive budget bill approach. One of the principal features of the comprehensive budget bill is that it concentrates congressional action on all budgetary matters in a single bill. This concentration will necessarily concentrate the workload of both Members and staff involved. In the absence of any experience, it is difficult to say whether this concentration will result in bottlenecks for bill cost estimates or scorekeeping reports. I am concerned, however, whether CBO staff will be able to maintain the quality of our estimates in this greatly condensed timeframe. And while I am on this problem, I should note that CBO gets enormous help from the Joint Tax Committee in preparing our estimates of tax expenditures. While your approach seems to give CBO the sole responsibility, the committee might be mentioned as the people who really provide the estimates for us.

In conclusion, Mr. Chairman, the budget process is not the source of the budget problem, nor can the process be an answer in itself. A consensus report for a comprehensive budget reduction plan is needed. Given that consensus, either of the approaches recommended by the task force could fulfill the process needs.

Thank you.

[Mr. Penner's prepared statement, with additional information, follow:]

Statement of

Rudolph G. Penner
Director
Congressional Budget Office

Before the

Task Force on the Budget Process
Committee on Rules
United States House of Representatives

February 9, 1984

Mr. Chairman, I am pleased to have the opportunity to testify on your Task Force's proposals for revisions to the Congressional budget process.

We are all painfully aware of the dimensions of the budget problem before us. Earlier this week, the Congressional Budget Office released the three parts of our annual report, which document that problem: Part I on the economy, Part II on the baseline budget projections, and Part III on options for reducing the deficit. 1/ I appeared before the House and Senate Budget Committees on Tuesday and Wednesday and will meet with the Joint Economic Committee later today to present our views on the budget problem and possible solutions. I do not have to inform this group that solving the budget deficit problem will be extremely difficult. It will require the resolution of some of the most intellectually profound and complex questions that can confront a nation: namely, what should the federal government be responsible for in our society and who should pay for it?

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1. Congressional Budget Office, A Report to the Senate and House Committees on the Budget, Part I: The Economic Outlook, Part II: Baseline Budget Projections for Fiscal Years 1985-1989, Part III: Reducing the Deficit: Spending and Revenue Options (February 1984).

A process, no matter how well designed, cannot make difficult problems easy. It can make the debate more orderly and help to bring useful information to bear on the proceedings at crucial times during the discussion.

The Proposals to Improve the Congressional Budget Process drafted by the House Committee on Rules Task Force on the Budget Process would establish the essential procedural framework for implementing a comprehensive deficit reduction plan. I believe that the Task Force should be commended on its efforts to make the process both less arduous and more effective.

Both the single budget resolution approach and the comprehensive budget bill approach would require outyear figures to be included in the budget plan and in reconciliation. A multiyear approach to resolving the budget problem is essential because specific outlay-reducing and tax-raising options can have very different effects in the short and long run. Both approaches would establish credit budget and tax expenditure budgeting procedures and both would require existing off-budget activities to be included in the unified budget.

The single budget resolution approach formalizes changes that have evolved in the budget process since the 1974 Budget Act. It should aid in

the consensus-building aspect of solving the deficit problem. Strongly held political values are at stake and the ordinary political arena often impedes rather than assists the kinds of compromises needed to achieve agreement. The debate in the Congress over the budget resolution provides a focus for resolving differences, and the resolution itself provides a written charter of the agreements reached. While it helps keep the focus on the issues, it can only provide a vehicle for hard compromises that first must be made by Members of Congress and accepted by their constituents. The comprehensive budget bill, on the other hand, does not force an initial consensus, but by concentrating all budget legislation into one omnibus bill with one vote, it may enhance the probability that a consensus will endure once it is reached.

In a November 9, 1983, letter to you, Mr. Chairman, and an attached memorandum, I provided detailed comments on the single resolution approach. If I may, I would like to have a copy of those comments inserted in the record of these hearings. Most of my comments on the single resolution approach would apply equally to the comprehensive budget bill approach--since many provisions are the same in both proposals.

I would like to reiterate my concern about the technical problems presented by implementing tax expenditure controls. As noted in pages 6-8 of the detailed memorandum, estimating tax expenditures will require fairly

arbitrary definitions and explicit counting rules. Similar problems have been worked out in implementing spending controls in the past. Scoring of tax expenditures is possible, but will require flexibility on the parts of the Ways and Means, Finance, and Budget Committees.

I would also like to highlight an additional concern raised by the comprehensive budget bill approach. One of the principal features of the comprehensive budget bill is that it concentrates Congressional action on all budgetary matters in a single bill. This concentration will necessarily concentrate the workload of both Members and staff involved. In the absence of any experience, it is difficult to say whether this concentration will result in bottlenecks for bill cost estimates or scorekeeping reports. I am concerned, however, whether CBO staff will be able to maintain the quality of our estimates in this greatly condensed time frame.

In conclusion, Mr. Chairman, the budget process is not the source of the budget problem nor can the process be an answer in itself. A consensus of support for a comprehensive budget reduction plan is needed. Given that consensus, either of the approaches recommended by the Task Force could fulfill the process needs.

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

Rudolph G. Penner
Director

November 9, 1983

Honorable Anthony C. Beilenson
Chairman
Task Force on the Budget Process
Committee on Rules
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This letter responds to your request for the Congressional Budget Office's comments on the proposed recommendations in the "Single Budget Resolution Approach" pending before the Rules Committee Task Force on the Budget Process. In general, the approach seems to be a coherent set of procedures that would strengthen the implementation of the budget process.

The draft status report includes several recommendations that would change the enforcement mechanisms specified in the Congressional Budget Act. These procedural recommendations formalize changes that have evolved in the budget procedures established by the act or that have been added informally through use of the act's elastic clauses. The revised procedures should reduce Congressional scheduling problems somewhat and lead to more effective budget controls. We view the most important procedural changes to be:

- Shifting to a binding first resolution, a change that recognizes the need to make choices on budget aggregates and to set overall priorities early in the budget process; and

- Expanding the budget from one to three years, since an expanded horizon is needed to make major budget changes.

The Task Force draft also recognizes the continued importance of the elastic clause, which may be needed in the future--as it has in the past--to allow the Congress to adjust to changing budget circumstances.

Other important recommendations are the proposals to expand the coverage of the budget. The full range of government fiscal activities should be considered in establishing fiscal policy and determining priorities. Clearly, off-budget spending should be brought on budget. The Congress also has enough experience with the credit budget to formally adopt credit budget procedures.

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On the other hand, the tax expenditure provision raises problems of implementation and the Task Force must decide whether the benefits of conveying more information and controlling the proliferation of special tax provisions are worth the costs of having a more cumbersome procedure. There are also practical problems in making trade-offs among spending, credit, and tax provisions, the most serious being the lack of common measures of budget impact. CBO is currently studying how to determine the cost of lending and how to measure outlay equivalents of tax expenditures. This issue needs further work.

The Task Force draft recommends several new tasks to be performed by the Congressional Budget Office. These changes would represent only marginal changes to existing CBO procedures and workload, so they probably could be accomplished without additional resources. Some of these tasks could be undertaken under existing authority and would not necessarily require any changes to the Budget Act.

Attached to this letter is a more detailed memorandum that provides CBO's views and comments on the Task Force's outline. I look forward to further participation with the Task Force as your report moves into its final stages. Please call on us for any further assistance we can render.

In closing, I would like to commend you and the Task Force for suggesting ways to deal with the very serious deficit problem before us.

Sincerely,

Rudy

Rudolph G. Penner
Director

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

Rudolph G. Penner
Director

November 9, 1983

The Honorable Tom Loeffler
Member, United States Congress
House of Representatives
Washington, D.C. 20515

Dear Congressman Loeffler:

I am enclosing comments on the treatment of tax expenditures in the Beilenson Task Force Proposal. They were prepared at the request of the Task Force. The new proposal is much more modest than some earlier proposals. As the attachment shows, however, there are still many practical and conceptual problems involved in implementing this more modest proposal. The key question is whether the information conveyed by the proposal and the additional control over the proliferation of special tax provisions is worth the addition to the cumbersome nature of the budget process.

Sincerely,

Rudy

Rudolph G. Penner

Enclosures

CONGRESSIONAL BUDGET OFFICE COMMENTS ON THE COMMITTEE ON RULES TASK FORCE ON THE BUDGET PROCESS' DRAFT STATUS REPORT: "SINGLE BUDGET RESOLUTION APPROACH"

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STRENGTHENING THE BUDGET PROCESS--ENFORCEMENT ISSUES

The Rules Committee Task Force on the Budget Process draft status report on the "Single Budget Resolution Approach" includes several proposals to strengthen the budget process. For the most part, these proposals would formalize the changes to the budget process that have evolved over the past eight years.

The Rules Committee report recognizes the importance of making decisions early to allow the Congress sufficient time to implement its budget policy. The first concurrent resolution on the budget would be made binding, and reconciliation instructions would be incorporated in the first resolution. Appropriations bills and reconciliation bills would be scheduled concurrently and before the summer recess. The requirement for a second budget resolution would be dropped, but subsequent budget resolutions could be submitted whenever a revision is deemed necessary. These changes would reduce the number of budget actions, provide more time for important budget considerations, and allow all major budget actions to be considered simultaneously: appropriations, direct spending, and revenues. It may be over-optimistic, however, to assume that all appropriations and reconciliation would be completed before the July 4th recess because of the large number of substantive issues that would have to be resolved in reaching agreement on all of these measures.

The report proposes a multiyear focus throughout the budget process. Budget resolutions would cover the budget year and two succeeding years, as would reconciliation instructions. The report also recommends a shift from annual authorization bills to multiyear authorizations. The shift to a multiyear focus recognizes the need for a longer time horizon to plan budget policy and to make changes in the size and composition of government activity. The multiyear focus of the budget process may add complexity to the process, but is necessary for effective budgeting. Multiyear authorizations could both provide a longer planning horizon and reduce workload.

Strengthened enforcement measures are proposed in a number of areas of the report. To the extent that such proposals involve internal House operating procedures, CBO has no expertise to support comments. Two proposals, however, seem to be especially important. First, the proposed reconciliation procedures would explicitly authorize the Rules Committee to allow amendments to the omnibus reconciliation bill wherever a committee failed to meet the resolution guidance. This provision should provide the Congress the opportunity to vote on language that would implement the budget policies agreed to in the resolution. Second, the report provides for enforcement of the resolution by committee, waiving aggregate points of order against bills providing discretionary spending that are within the

committee's allocation. This change recognizes the actual decision structure of the Congress and makes the implications of the resolution both more visible and more enforceable.

The budget process would also be strengthened by the report's proposed expansion of budget coverage. Off-budget activities would be brought on-budget, a credit budget implemented, budget consideration of tax expenditures expanded, and indirect financing mechanisms covered. Comprehensive coverage ensures that the full range of government activity is considered both in setting budget aggregates and in determining priorities. Comprehensive coverage provides for comparable consideration of all government activities regardless of the type of financing and precludes growth of certain activities simply because of advantageous budget treatment.

Most of the procedural changes outlined above have been partially implemented over the past several years using the Budget Act's elastic clauses. The task force report would continue the flexibility provided in the elastic clauses but would establish "new safeguards" to ensure that those clauses were used only after adequate consideration. It is essential that the Congress maintain the flexibility to adjust its budget procedures to meet changing budget circumstances. An appropriate use for the elastic clauses may be illustrated by the task force proposal to provide for points of order against indirect financing mechanisms. The description in the status report did not clarify how such provisions would be defined, or against what measure they would be considered in raising points of order. It may be appropriate to work out such definitions and implement controls on an experimental basis using the elastic clauses.

COMPREHENSIVE COVERAGE

A principal feature of the task force recommendations is the expanding of budget coverage to off-budget agencies, federal credit activities, and tax expenditures. Comprehensive coverage would ensure that the full range of government financial activities are considered in establishing fiscal policy and in determining priorities. CBO has generally taken the position that the budget should be as comprehensive as possible, and that appropriate budget procedures should be implemented by the Congress to control the government's financial activities.

Off-Budget Activities and Programs

The task force has recommended that all off-budget activities and programs be restored to the unified federal budget. Unlike most of the other changes proposed, this proposal would require a change in law. All of the existing off-budget activities are specifically excluded from the unified budget in their authorizing statutes. The issues involved in converting off-budget entities onto the unified budget vary among the agencies as described below.

Federal Financing Bank (FFB). The Federal Financing Bank Act of 1973 assumed that the FFB financing would not affect the budget status of activities it financed. Based on this assumption, the FFB was excluded from the unified budget. In practice the FFB has affected the budget by purchasing agency loan assets (certificates of beneficial ownership) and by financing agency guaranteed loans. These transactions result in FFB off-budget direct loans that are recorded, net of repayments, as off-budget outlays. The budget treatment of the FFB should be corrected by recording agency loan asset sales as a source of financing rather than as a loan repayment, and by recording agency guarantees financed by the FFB as direct loans of the originating agency. The FFB would then be a neutral financial intermediary as originally intended and would have no off-budget outlays. Congressman Gradison's H.R. 3484, pending before the Ways and Means and Banking Committees, would appropriately correct the budget treatment of the FFB.

Existing Off-Budget Entities. The Strategic Petroleum Reserve, the Rural Electrification and Telephone Revolving Fund, the Rural Telephone Bank, the Postal Service, the United States Railway Agency, and the Synthetic Fuels Corporation are all government activities that have been excluded from the unified budget by law. They all were established by the government and are administered by government-appointed officials. To the extent that the budget is intended to describe the full range of government

activity, these activities should be included in the budget. The authorizing statute of each entity will have to be amended to end the exclusion from the budget.

Social Security. The Social Security Act of 1983 (P.L. 98-21) removes the disbursements and receipts of three of the four Social Security trust funds from the budget in fiscal year 1993. CBO opposed this action in a March 14, 1983, letter from Alice Rivlin to Senator Domenici, which argued that:

- o exclusion of Social Security would confuse public understanding of the government's fiscal policy;
- o the budget should be as inclusive of federal activities as possible; and
- o exclusion of Social Security from the budget would establish a bad precedent.

The Social Security Act should be amended to drop the exclusion.

Implementation of a Credit Budget

The task force draft recommends that the credit budget be fully incorporated into the Congressional budget procedures. The unified budget includes net lending for direct loans—new loans less repayments—and only includes funding for guaranteed loans that default. While this is an accurate statement of the impact of lending programs on the cash requirements of the government, it understates new lending activity. The credit budget is designed to allow the Congress to control new lending activity.

The credit budget can be incorporated in the Congressional budget process either by amendment to the Budget Act or by changes to House rules. The Mineta-Bethune bill, H.R. 2076, The Federal Lending Oversight and Control Act, provides a legislative vehicle to implement a Congressional credit budget. H.R. 2076 would amend all relevant sections of Title III and Title IV of the Budget Act to incorporate credit. The task force recommendations could be implemented using the Mineta-Bethune model with the amendments appropriate to shift to a single binding resolution.

The Congressional Budget Office has in place the analytical tools and information systems necessary to support the implementation of a Congressional credit budget. CBO has worked with the Budget Committees through the past three years to develop credit budget support. We currently prepare five-year credit projections, cost estimates for credit provisions of pending legislation, and scorekeeping reports on credit budget actions. For the past four years, we have also prepared an annual analysis of the credit budget.

Trade-Offs in Forms of Federal Commitment

The task force draft urges that the Budget Committee experiment with various approaches to making trade-offs among spending, credit, and tax expenditures. The Budget Committees would also be required to include in the report accompanying the resolution information on the total federal commitment: spending, lending, and taxes for each function, subfunction, and major program. The report cites as a model the Canadian envelope system, which requires such trade-offs.

Employing this procedure will require much work. The economic impact and budget requirements for spending, lending, and tax expenditures are not comparable and thus trade-offs will be difficult. CBO is currently doing a study for the Senate Banking Committee on the relationship between spending and lending. We also included in our annual report on tax expenditures a section on the outlay equivalents of tax expenditures. We would be able to assist the Budget Committees in providing information on total federal commitments, but until we can better weigh apples in terms of oranges would caution against moving too quickly on requiring trade-offs.

TAX EXPENDITURES

The task force proposed that the budget resolution recommend both an overall revenue target and a change in the level of tax expenditures. Reconciliation instructions could order the implementation of the same two targets.

Arguments for the Proposal

Special provisions of the tax law—credits, deductions, and exclusions—are used to alter the allocation of productive resources among economic activities and to redistribute income in the same way that government purchases, credit programs, subsidies, and transfer payments are used to accomplish similar ends. Any rational budgeting procedure for regular outlays should, therefore, take account of the economic effects of these special tax provisions—and attempt to impose some discipline on their proliferation.

The proposal takes a small step in this direction by recognizing the importance of changes in tax expenditures, but does not attempt to influence the choice of those changes by budget function. The Ways and Means Committee would be responsible for choosing the composition of the tax changes.

Problems of Implementation

The relative importance of special provisions of the tax law is now crudely measured using the concept of a "tax expenditure." It measures the static revenue loss associated with any departure from the "normal" or "reference" provisions of the tax structure. No behavioral responses to changes are now considered. More important, there is some dispute as to which provisions of current corporate and individual income tax laws are "normal" and which are "special." The Joint Committee on Taxation (JCT) and CBO now have an agreement regarding the inventory of provisions that are defined to be "special," but this inventory differs in several important aspects from that used by the Administration. For example, the Administration defines the accelerated cost recovery system to be part of the "normal" tax structure, whereas CBO and JCT do not. There are 12 other differences of this type.

To implement the task force proposal, a decision would have to be made for each new change in the tax law whether it was a change in the "normal" tax structure or a change in a "special" provision of tax expendi-

ture. The distinction would be clear-cut in many cases, but often it would not. For example, there is now a disupute whether or not the recently proposed change in the tax treatment of insurance companies constitutes a change in tax expenditures. Similar problems would arise with most changes in depreciation rules. CBO and JCT staff could not make such decisions if they were controversial in the context of enforcing reconciliation. The decisions often have a large arbitrary component and would have to be made politically. This role would fall to the Budget Committee, which, because it was called on to make arbitrary decisions, could provoke considerable additional hostility toward the budget process.

It must be noted, however, that some arbitrary definitional problems arise in administering the current Budget Act. For example, there once was a dispute whether refundable tax credits were "outlays" or "reductions from revenues." But it is probably fair to say that definitional disputes would arise much more frequently in the area of tax expenditures than in the area of regular expenditures and revenues.

Tax expenditure totals and the revenue target would interact in peculiar ways. Any changes in the "normal" tax rate structure simultaneously changes most tax expenditure amounts, since they are measured relative to the normal tax structure. Therefore, if the budget resolution specifies both an overall revenue target and a change in tax expenditures, and if some change in the normal tax rate structure is undertaken to help achieve the revenue target, it has to be decided arbitrarily whether the change in tax expenditures is measured using the old or new normal rate structure. It would seem sensible to measure the tax expenditure change against the old or initial rate structure, but the very fact that the rules must be promulgated on such points brings out the arbitrary characteristics of the tax expenditure concept and may reduce the credibility of the effort. Moreover, if the old rate structure is used to measure tax expenditures, it must be explained that the revenue effects of rate changes plus the change in tax expenditures do not add up to the change in the revenue target.

In any case, in estimating the change in the tax expenditure total, it must be remembered that there are strong interactions among special tax provisions. That is to say, changes in one tax expenditure can affect the value of many other tax expenditures if, for example, a sizable number of taxpayers are induced by the change to take advantage of the zero bracket amount. The same problem also exists on the outlay side. For example, a change in Aid to Families with Dependent Children (AFDC) will affect outlays on the welfare programs. But the problem is probably much more pervasive in the case of tax expenditures.

Conclusion

The task force proposal has the advantage of drawing more attention to the importance of the many special provisions of the tax code that reallocate resources and redistribute income. But, at the same time, the

new approach will add to the cumbersome nature of the budget process by increasing the number of rulings that will have to be made in enforcing the Budget Act and by necessitating the promulgation of a number of somewhat arbitrary rules and definitions that may increase hostility toward the process. The task force will have to decide whether the benefits of conveying more information and controlling the prolification of special tax provisions are worth the costs of having a more cumbersome procedure that contains many arbitrary elements. CBO takes no position on the matter. The current budget process contains many arbitrary rules and definitions. The question is whether adding to them is worthwhile.

However, the approach taken in the task force report creates fewer problems than other proposals that would specify a target for total tax expenditures and allocate them among budget functions. The interaction problems inherent in such an approach are extraordinarily complex as changes in one function would change tax expenditure amounts in other functions in significant ways, all the while interacting with changes in the normal rate structure. Arbitrary counting rules could be devised to solve such problems, but since different possible rules would affect different interest groups differently, the choices among possible rules would create considerable acrimnoy.

ECONOMIC FORECAST UNIFORMITY AND REVISIONS

Occasionally in the past, unforeseen events have caused economic forecasts and technical estimates to become outdated shortly after they were prepared. Thus, it is appropriate to include a provision permitting an updating of the economic assumptions and technical estimates subsequent to the adoption of the budget resolution. It may be reasonable to limit the periods when the assumptions would be reviewed to once a quarter, for example, lest there be continuous proposals for revisions in economic assumptions to accommodate specific budget proposals. Some period of stability of assumptions is needed so that CBO can keep score on committee actions.

The January 3 date for the submission of the President's budget would require an earlier forecast. The longer the time lapse between the preparation of the forecast and the budget resolution, the more likely the Administration's estimate will be outdated. It might be appropriate to change the current requirement for an April 10 update by the Administration to April 1, to ensure that the resolution is considered in light of the Administration's latest economic forecast.

While the House and Senate have adopted common economic assumptions at the conference stage in recent years, they have had problems in reaching agreement. Common assumptions are, however, essential to enforcement of the budget resolution. Common economic assumptions and technical estimates should therefore be required.

IMPROVED INFORMATION

The task force report recommends three steps to improve information relating to the budget resolution. In each, flexibility will be required to allow the Budget Committees to adjust to the changing needs of the Congress. Qualifications that should be considered relevant to each of these requirements are as follows:

- Baseline projections—A common definition of the baseline should highlight policy differences in projections. It is unlikely, however, that a legislated definition will avoid significant policy differences such as the differences in the base numbers for the 1984 defense projections. The definition should be sufficiently broad to allow adjustments for the needs of the Congress.

- Total level of federal commitment—As noted above, presentation of tax expenditures, credit, and ordinary spending involves numbers that have no common metric. It would not make sense, for example, to add them all up. The lack of common numbers will make trade-offs difficult. Nevertheless, their consolidated presentation should help the Congress understand the impact of federal activities by area.

- Management functions—The task force report urges the Budget Committees to display in their reports on the budget resolution breakdown of the budget by "management functions." For information purposes, a variety of other budget categories may become important in the future. At this time there is no compelling reason to single out one type of informational sorting to the exclusion of others.

CBO PROCEDURES AND WORKLOAD

The task force report recommends that CBO perform several new tasks. These tasks would represent only marginal changes to existing CBO procedures and workload, so they probably could be accomplished without additional resources. Some of these tasks could be undertaken under existing authority and would not necessarily require any changes to the Budget Act.

Report on Expiring Legislation

The task force recommendations concerning an accelerated schedule for authorization of appropriations include the requirement for CBO to submit a report listing the expiring authorizations affecting the budget year by the first Monday after January 3. CBO staff already prepares each year such a report for use by the House Budget Committee. The timing of the report should not present a problem unless the Congress remains in session late into December.

CBO Annual Report

As part of the accelerated budget resolution timetable, the task force would change the timing of the CBO annual report to the Budget Committees from April 1 to February 15. This should not present any problem since in recent years the CBO annual reports have been submitted in early February.

Outlay-Credit Comparison

As part of the task force recommendations to broaden the coverage of the budget resolutions, the CBO would be directed to study further the feasibility of outlay-credit comparisons. This information would be useful for considering trade-offs between credit and spending programs. CBO already has started such a study in response to a request from the Senate Banking Committee. We plan to complete this study by early March 1984.

Where feasible, CBO is also expanding its cost estimates on pending legislation authorizing credit programs to estimate the costs for the life of the loans.

CBO Cost Estimates for Budget Resolution Amendments

The task force report urges the Rules Committee to require a CBO cost estimate, using common economic assumptions, for each amendment to be offered to the budget resolution. This has been done in recent years and should not present any problems so long as CBO receives the proposed amendments in a timely manner.

Description of Financing Mechanisms

Among the recommendations of the task force for discouraging the use of new financing mechanisms that escape annual review is a requirement that CBO include a description of any proposed indirect financing mechanism (for example, revolving funds, monetary credits) in its section 403 bill cost estimates. This could be done easily without any significant additional effort, and would not necessarily require a change in the Budget Act.

The task force also requires the General Accounting Office (GAO) to maintain an annual inventory of indirect financing mechanisms. CBO's effort would address only reported bills, whereas GAO would maintain an inventory of all existing indirect finance mechanisms.

Regular Scorekeeping Reports

The task force report recommends that CBO be required to submit monthly reports to committees on the status of action on the budget. At present, CBO is required by section 308(b) to submit such reports "from time to time."

CBO currently maintains an elaborate automated data base for purposes of tabulating Congressional action on the budget and making comparisons with the budget resolutions. CBO provides computer reports from this data base on a weekly, and sometimes daily, basis to the staffs of the Budget and Appropriations Committees. We could easily provide computer-generated scorekeeping reports to the authorizing committees as well. These reports could be transmitted each month to the authorizing committees by letter from the Director and would not necessarily require publishing a comprehensive report.

CBO ceased publishing periodical scorekeeping reports in 1980 because neither CBO nor the Budget Committees considered them to be very useful. They were difficult to understand, particularly when the House and Senate Budget Committees used different assumptions for estimating spending levels. Published reports, however, may not be necessary if the authorizing committees find computer-generated scorekeeping tabulations to be sufficient. CBO could provide these tabulations under existing authority and

without significant additional cost. Published reports, however, would be more costly, particularly in terms of the time and staff effort involved.

Conference Report Cost Estimates

The task force report would extend the section 403 cost estimate requirement to include conference reports on spending and revenue legislation. Current requirements for CBO cost estimates apply only to committee reported bills.

CBO staff already prepare cost estimates for conference reports on spending and revenue legislation as part of our scorekeeping activities. These estimates, however, are rarely put into a written form and transmitted to the committees in the same manner as other section 403 cost estimates.

A potential problem of requiring CBO cost estimates to be included in conference reports concerns the timing of the reports. Conference reports generally are filed very soon after a conference is completed, so that little time is avilable to review conference language and prepare a cost estimate. Any requirement to include CBO cost estimates in conference reports, therefore, should be drafted with language that includes "to the extent practicable" and "if received in a timely manner."

An alternative requirement might be to have a CBO cost estimate available before a conference bill is taken up on the floor of either the House or the Senate. This would usually give more time to prepare the estimate, and could be accomplished in the House by a rule change rather than a Budget Act amendment. It also would be possible for the Rules Committee (or the Budget Committee) routinely to request CBO to prepare cost estimates for conference reports that provide direct spending or change revenues. CBO would prepare these estimates under its section 202 authority to provide assistance to Congressional committees.

Tax Expenditures

CBO and the Joint Committee on Taxation currently publish inventories of tax expenditures once per year. The task force recommendation that they submit a tax expenditure inventory within 90 days of the adoption of revisions to the act would require only an updating of the inventory for recently enacted legislation.

The task force proposal that the recommended change in tax expenditures be added to the budget resolution would require close scrutiny of all pending tax legislation in order to consider the possible tax-expenditure status of each significant provision of the legislation. This would require the dedication of additional CBO resources to revenue scorekeeping.

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Mr. BEILENSON. Thank you very much, Dr. Penner.

Let me just make three preliminary comments and then ask you a couple of specific questions. I think some of my colleagues here may also have questions for you.

First of all, I especially appreciate your taking the time to come here and testify. The Members should be aware of the fact that you have three or four other pieces of testimony to give this week, and it has been a particularly difficult week for you.

Second, I especially appreciate your work and the work of your office in preparing those comments dated November 9. We have gone over them carefully, as you are aware. They are very helpful to us.

Mr. PENNER. Mr. Chairman, at the beginning, I should have introduced my two colleagues here, who really know a lot about the process: Dick Emery on my left, and Robert Hartman on my right.

Mr. BEILENSON. And, third, I was pleased to find, if I may say so—you may contradict me if you wish—so much general support for our proposals in your November 9 memo. I thought we would perhaps xerox them and send them around to people to show what a good job we have done. I am just kidding you.

Now that we have the draft language, we hope that perhaps you and your staff could go through it very carefully in the weeks to come and let us know if you have any problem or suggestions for a better way of accomplishing the things we are trying to do. We did not have legislative language when you sent us your detailed comments in November. But if your people could take a look at the draft in the coming 2 or 3 weeks, we would appreciate that, and we would be happy to consider any suggestions you might have.

Now, a couple of specific questions.

The main issue that you raised concerns about in that November memo was our proposal to control tax expenditures. First, do we not take care of the definitional problems of tax expenditures in our draft bill by saying that tax expenditures are what CBO says they are? That is, so long as we require Congress to use CBO's list of tax expenditures and that list remains consistent throughout the year, we should not have a definitional problem.

Mr. PENNER. The problem arises from the definition of tax expenditures. We now have a list, as you note, and we have agreed on a definition with the Joint Tax Committee. But it is not a definition that is accepted unanimously among various tax experts or political forces.

Mr. BEILENSON. There is a definition in the codes somewhere too, is there not? Not a listing, but a definition?

Mr. PENNER. A basic problem is that the code—I cannot remember the exact wording, but it is something like "differences" from what they call the basic tax structure. And it is the basic tax structure that is not well defined. For example, one of the main arguments is whether the accelerated cost depreciation——

Mr. BEILENSON. That is the big one, that is the one everybody mentions all the time. Maybe we could just do away with it and not include it.

Mr. PENNER. Well, my feeling is that that definitional problem is a political issue in itself, so it has to be resolved politically. We cannot resolve it as staff. Somebody should make a decision about

what should go in our list and what should not. Whatever political decision is made, of course, we would follow through with it.

Mr. BEILENSON. OK.

The second question, if I may, is in regard to measurement. Do you not think that the measurement problems could be worked out through a couple of years of practice with scorekeeping procedures? As you noted in your memo, the problem you have measuring tax expenditures because of interaction among them is the same problem you had on the expenditures side with interaction among entitlements. Is this something that you can work out? Is this something that practice can resolve?

Mr. PENNER. Yes, sir. Conceptually, I think it can be worked out. Indeed, from a purely technical point of view, the approach that you have taken in your plan—just talking about the change in tax expenditures—makes it much easier to deal with than if you had said that the resolution should contain a target for all tax expenditures. The latter would have been extremely difficult to handle technically.

Mr. BEILENSON. We agree.

Mr. PENNER. So you have taken the approach that is least objectionable from a technical point of view, and it could be done. In doing it, there are certain arbitrary decisions that have to be made——

Mr. BEILENSON. Is that true about other things too, or just tax expenditures?

Mr. PENNER. Well, I think they pose special problems, and again frankly, special political problems.

Mr. BEILENSON. We have known that, of course, from the beginning.

Let me ask you this, if I may. Do you think we should not try to deal with tax expenditures at all, or do you think it is good to try to do it?

Mr. PENNER. In theory, I do not think there is any question. Here is a tool we use to move resources around the economy.

Mr. BEILENSON. They are growing at such a fast rate.

Mr. PENNER. It has budget implications obviously. In the ideal it should be in a budget plan.

Mr. BEILENSON. Well, we started from the ideal, and tax expenditures are in our plan. The question is, what form should they take in the plan? We are perfectly open to suggestions of improvements that can be made.

Mr. PENNER. I think the approach you have taken is technically the very best. There are still technical ambiguities, since they have political implications, and again, the procedure for counting them should be worked out politically, and then we would follow suit.

Just to give one example of the kind of problem we have: your plan envisions giving to the revenue-raising committees both an overall revenue target and a target for the change in tax expenditures. Now, as I said before, tax expenditures are measured from what we call basic tax rate structure. Since they are measured from that base, the problem is technical.

If you give the committee instructions that allow changes in the base rate structure, then there is a question of whether tax expend-

itures are valued with the tax rate structure you began with, or the tax rate structure that they settled on——

Mr. BEILENSON. You could clarify that with language.

Mr. PENNER. Absolutely.

Mr. BEILENSON. OK, we shall.

Mr. PENNER. And if you want a suggestion from me——

Mr. BEILENSON. Absolutely.

Mr. PENNER. I think that it would be better to measure them from the original tax rate structure that was in effect before you tried to change it to meet your revenue targets. Because if you do it the other way, you create an incentive for the committees to fiddle with the rate structure to help meet the tax expenditures.

Mr. BEILENSON. Thank you for your answers. Your testimony has been very useful, and we will continue to work with you and your people, not only on that portion of our proposals but on other parts as well.

Mr. Daub.

Mr. DAUB. Thank you very much for being with us, Dr. Penner. I guess I worry about the manipulation curves relative to tax expenditures, and I guess maybe it is a political problem, definitional and/or by way of measurement. I guess maybe we ought to get—was it Professor Surrey, is that the good father of the tax expenditures thing?

Mr. PENNER. That is right.

Mr. DAUB. Was he a tax professor at Harvard Law School? Maybe we ought to change the name. Maybe it is just Federal spending. I do not know what we call it. Like revenue enhancement now, we can maybe define that too.

Mr. PENNER. Base erosion control.

Mr. DAUB. Yes, yes. So it is taxpayer conservation, revenue conservation that we are trying to arrive at.

Well, anyway, aggregates or totals of Federal spending at the margin. I see a laugh. Well, shall we measure it that way? Shall we measure like we were trying to do for awhile with reconciliation? It is a political argument. Should we not try to do it line by line? Shall we just measure aggregates, totals?

Mr. PENNER. Total tax expenditures? No. That is really hard technically to add them all up—in fact, I would argue it is essentially impossible, given our current knowledge.

Now, I think the approach that you have taken in this is the very best, and that is to target a change. And then we have some hope, with the help of the Joint Tax Committee, of actually studying the interactions. Now, we will not be able to do that perfectly. You can study the interactions between changing various deductions fairly well. With exclusions, it is much harder because by the very definition—income that is excluded from the tax form—we do not have data on it. But we deal with that kind of problem all the time when we are asked: What are the revenue implications of changing law? It is just a lot harder, and the estimates therefore are based on less data.

I would urge you not to go for a grand total, because that would provide severe problems for whoever had to add up that total. The administration, by the way—and this year's tax expenditures special analysis, and I guess last year's as well—has done interactions

by budget function. And that is kind of interesting that they could do that.

Mr. DAUB. I just think that—I guess I do not know the answer to what the political implications are. I mean is it $200 billion and $1.419 trillion? Does it not have political implications too? I am wondering if the fact of the matter is if we do not change our budgeting process in the House and Senate, we are never really going to get at spending reform and tax policy reform. And I think those have to happen before we talk about balancing anybody's budget.

But ultimately something that I can favor, but it is not going to get at where we have got to be. I think tax indexing it, you know, is probably a more useful tool than a congressional amendment to balance the budget. So it may be actually more useful, practical than the ultimate beating of the chest over a constitutional amendment to say it shall be in place.

Mr. BEILENSON. We could not pass a balanced budget amendment.

Mr. DAUB. But I worry about leaving aggregates alone. And I know they are an immensely complicated process to try and sum and make useful.

Mr. PENNER. Well, maybe I did not make myself clear. You would certainly have an aggregate revenue target. There is no doubt about that. That is clear. The proposal states that fine, but then it says to the revenue financing committees: You no longer are perfectly free to meet that target any old way you want. We want you to change these things called tax expenditures by x billion dollars.

So another way of putting it, I think, is you are giving some extra guidance to the revenue raising committees.

Mr. BEILENSON. Do either of your two colleagues want to say anything about that?

[No response.]

Mr. BEILENSON. Thank you very much.

Any more questions? Mr. Bonior?

I guess not. We did appreciate all the work you and your office have put into this. We will, of course, continue to work with you. And to the extent that you are able to give us some suggestions, please do not feel presumptious. We are happy to hear from you.

Mr. PENNER. Any time.

Mr. BEILENSON. Our second witness today is Mr. Harry S. Havens, the Assistant Comptroller General. We welcome you, sir. Thank you for preparing testimony and taking the time to come over here.

STATEMENT OF HARRY S. HAVENS, ASSISTANT COMPTROLLER GENERAL, ACCOMPANIED BY KENNETH HUNTER

Mr. HAVENS. Thank you very much, Mr. Chairman. It is a pleasure to appear before you again.

I would like to introduce my colleague, Kenneth Hunter, Senior Associate Director of our Accounting and Financial Management Division.

With your permission, Mr. Chairman, I would offer my statement for the record and simply make a few remarks in summary.

Mr. BEILENSON. Your statement in total will be included in the record.

Mr. HAVENS. Thank you, sir.

There are a few key points that I think are important that we would like to emphasize. First, the congressional process is part of a much larger system. Difficulties and delays in congressional action have widespread reverberations in the executive branch, in State and local government and the private sector.

Therefore we believe it is important and increasingly urgent that Congress finds ways of simplifying and streamlining its part of the process. We stand ready to help in any way we can in that regard.

Our staff, of course, has been working with you for some time and will continue to do so. However, looking at the congressional process, while it is highly visible and in urgent need of improvement, it is only part of the problems with financial management in the Government as a whole. In the executive branch part of the process, its budgeting, planning, and accounting systems, for example, are all badly in need of major overhaul. Those systems are less visible, and the problems with them are less visible. The problems are equally real.

And just as congressional problems impinge on the executive, weaknesses in the executive part of the structure affects the Congress. Failure to correct weakness in the executive branch will leave Congress dependent, as it is now, on unreliable information. Thus we support efforts to improve the congressional process, not just for its own sake, but as an essential element in a much broader strategy for overhauling the financial management structure as a whole. We expect to make a proposal for developing and implementing that strategy.

Those are the key points I would like to stress. I will be happy to respond to any questions you have.

[Mr. Havens' prepared statement follows:]

UNITED STATES GENERAL ACCOUNTING OFFICE

Washington, D.C. 20548

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TESTIMONY OF

HARRY S. HAVENS

ASSISTANT COMPTROLLER GENERAL

OF THE UNITED STATES

BEFORE THE

TASK FORCE ON THE BUDGET PROCESS

COMMITTEE ON RULES

U.S. HOUSE OF REPRESENTATIVES

ON

REFORM OF THE FEDERAL BUDGET PROCESS

Mr. Chairman and Members of the Task Force:

I am pleased to be here today to discuss with you our views on the importance of reforming the federal budget process. It is clear that our nation is facing significant economic and fiscal issues, and that government decisionmakers will have to make many hard choices over the coming years on budget levels and allocations. To focus attention on the major issues under these demanding circumstances, we believe it is imperative that our government simplify, streamline, and strengthen its budgetary and financial management systems.

At the outset, I would like to compliment you and the other members of the Task Force for the time, interest, and effort you have given to the subject of reforming the congressional budget

process. The two proposals for reform being considered by the Task Force provide an excellent way of framing the alternatives. Each of these two proposals--the single budget resolution approach and the comprehensive budget bill approach--would make numerous changes in the rules and practices followed by the Congress in considering and acting on budget resolutions and legislation. We support the view that, if possible, simplified procedures should be implemented this year and used in consideration of the FY 1985 budget.

We have reviewed the two proposals and will be providing detailed suggestions to your staff. At this point, however, I would like to note that we are agreeable to the provision, appearing in both proposals, calling on our office to make a study of indirect financing mechanisms.

The Significance of the Federal Budget

The Task Force's responsibilities have centered on examining the congressional responsibilities in the budget process. But, while focusing on the details of the congressional budget process, such as changes in the rules, timetables, definitions, and procedures of the House and the Senate, we should not lose sight of the broader implications of congressional budget reform. Congress' budget actions are unavoidably intertwined with those of the executive branch, and all of the budget actions have significant effects throughout the government and the nation.

The federal budget, as enacted in tax, appropriation and other laws, reflects our government's priorities and overall

fiscal and economic policies for the coming year. The budget is the sum of the many hard choices that have to be made among competing goals, programs, and interests in our nation--choices about the kinds and levels of services we expect from government and the taxes that will finance such services. These decisions affect the behavior of both the government and the private sector. As the government's basic financial plan, the budget is instrumental in guiding, managing, overseeing, and making accountable the operations of government agencies and programs. As the government's chief vehicle for allocating resources, the budget significantly influences the standard of living of individual citizens as well as much private economic behavior, ranging from major corporate investment decisions to the economic decisions of individual families.

Why Congressional Budget Reform Is Needed

Because of the budget's significance to the nation, the economy, and government operations, how our government goes about making budget decisions is itself significant. Given our budgetary and fiscal situation in the past few years, it is no surprise that the budget process itself has become a topic of considerable interest and debate. Changing how we go about making budget decisions can affect the nature of those decisions, as well as the balance of power between and within the Congress and the executive branch.

The Congressional Budget and Impoundment Control Act of 1974 governs both how Congress acts on the budget, and some major interrelationships between the Congress and the executive branch.

The Act integrates various policymaking processes in the Congress--including the budget, tax, authorization and appropriations processes--through its timetable, reporting requirements, rules, procedures, and definitions. Together these spell out how the Congress is supposed to consider and act upon the budget, both as a whole and in its separate parts (e.g., individual appropriations bills). It also helps to govern many of the budgetary relations between the Congress and the executive branch. There is an interdependence between the two branches. Congress must have the President's budget and legislative proposals and their supporting information and analysis to do its work, and the executive must have the legal authority and direction from the Congress to carry on its execution of public policy.

In recent years the budget process has not worked well. Some of the common complaints of officials who act on the budget are that there is unnecessary duplication of effort and decisions, too much detail, too much time consumed, poor information and usually optimistic estimates, missed deadlines, too many votes, and failure to reach consensus.

When the process is not working well, not just the Congress suffers. The repercussions are magnified throughout the executive branch, and the effects often spread to state and local government and the private sector. For example, when Congress fails to complete budgetary legislation on time it must use temporary continuing resolutions to fund agency operations. This hampers agency planning and management efforts and requires the

agencies to reapportion, reallocate, and readminister their funds. Threatened or actual funding or borrowing gaps can cause serious and costly disruptions to operations and programs, adversely effect the morale of agency employees, and pose a threat to recipients of funds who depend on these funds for their livelihood. Late budget actions and revisions also contribute to uncertainty and disruption for contractors, grantees, state and local governments, other recipients, and the financial markets. Delayed action on tax legislation can complicate investment planning by both individuals and corporations.

Protracted debate over budget matters absorbs time and effort Members and executive branch officials need to devote to other essential responsibilities, such as planning, managing, and overseeing government agencies, policies, and programs. In addition, of course, public perception of a budget process working poorly contributes to the erosion of public confidence in the government and its leaders.

Nature of the budget process difficulties

Many of the recent difficulties with the budget process are not entirely the fault of the process itself. Political consensus has been difficult to forge on the hard budget choices we face. No process can force these decisions, or make them easy. But a process should--and our current process does--force a recognition that there are important national problems to be solved in the fiscal arena. In this respect, the budget process has worked very well--the process is effectively bringing to the nation the message that something is awry in our fiscal

situation--notwithstanding the fact that the gravity of our fiscal situation is not fully reflected in the budget process because it does not include off-budget items and some unfunded liabilities.

Notwithstanding the limitations of any process in forcing hard choices to be made, improvements seem both possible and desirable to simplify and streamline the process, to ease the workload burdens, and to make possible more timely action by the Congress. In considering specific options to accomplish these objectives, however, it is important to recognize that the congressional budget process is an integral part of the federal financial management system, in which Congress and the executive branch find themselves in a situation of mutual dependence.

The difficulties experienced by the Congress in its budget process are the most visible sign of some basic, underlying problems in the federal budget process and in the entire federal financial management system. These systemic problems include the lack of good financial information and reporting on the costs and performance of government operations, organizations, projects, and programs. Our current financial management systems are outmoded, and they leave much to be desired when it comes to the integrity, comparability, completeness, and timeliness of information on the operations, financial condition, and performance of the government. The lack of such information limits government decisionmaking at all levels, including the Congress. In addition, our current financial management system is costly, inefficient, and does not take full advantage of modern computer and telecommunications technology.

Given these underlying system weaknesses, current efforts to promote efficiency and effectiveness and to control costs, fraud, waste, and abuse are limited and can be counter-productive. Thus, for example, across-the-board percentage cuts in object classes or line items, and detailed controls and reporting requirements on agency managers have created confusion, inefficiencies, and have discouraged creative and flexible management responses to the financial and other problems faced by agencies. The National Academy of Public Administration recently issued a report of this problem of the "overregulation" of government managers noting that: "From the operational perspective of the program managers, the Federal budget is unrealistic, inflexible, or simply unnecessarily burdensome."

What Needs To Be Done

Clearly, Congress needs to do something about its piece of the problem--it needs to simplify and streamline its budget process to ease the workload burden and to encourage more timely action on budget matters. The two proposals being considered by your Task Force are good steps in this direction. However, to do this effectively will also require reform of the executive branch's budget process, and reform of the entire financial management system of the federal government. This is true because of the interdependence of the Congress and the executive branch in this area. Congressional budget process reforms would be limited in their effectiveness without complementary reforms in the financial management system and the executive budget process, in our view. If Congress doesn't ensure that the executive

develops and reports better budget and financial information to it for use in its budget process, timely and well-considered congressional action on the budget will be difficult at best.

Consequently, we also believe it is time to begin building a modern financial management structure for the federal government. This structure should have the following key elements:

1-- Strengthened Accounting, Auditing and Reporting:
Effective financial management must start with complete, reliable, consistent and timely information. Government financial systems must be designed to produce that information. Routine and special reports must be timely, useful, and readily understandable, and the reliability of the information must be assured through effective auditing procedures.

2-- Improved Planning and Programming:
Many of the most pressing national issues cannot be adequately considered using a narrow, short-term focus. A modern financial management system should include a structured process for considering those issues, one which focuses attention on major issues, identifies alternative courses of action and analyzes their probable future consequences.

3-- Streamlined Budget Process:
The federal budget process must be made more manageable if it is to be effective. Reform is needed in both Congress and the executive branch. This effort should

concentrate on eliminating unnecessary repetition, detail, and obstacles to action. The system and its operating procedures must be designed so that program managers, policy officials and Members of Congress can focus on the difficult budget choices that must be made. Also, a streamlined budget process should deal with a comprehensive, unified budget. In this regard, we are very concerned that last year's social security reform legislation would place social security trust funds off-budget. We think this provision should be repealed and the existing off-budget entities should be returned to the budget.

4-- Systematic Measurement of Performance:

Effective management of resources requires examining the results of government activities as well as their costs. The financial management system must be designed to provide consistent data about both performance and costs as a basis for assessing the efficiency and efficacy of operations.

Closing

Reform is needed and we believe the need is becoming increasingly urgent. However, if reforms are limited to the congressional phase of the process, we are concerned that many of our budget process problems will remain and you will be disappointed in the results. This could mean the continued erosion of public trust in government and its leaders, and disruptions and other ill effects on government programs and services and the

private sector. Because of the openness of the Congress as an institution and the visibility of its decision processes, public dissatisfaction tends to focus on the Congress. Thus, the continuation of the problems could pose a threat to the role of Congress in our political system as pressure develops for more drastic solutions.

Therefore, we share your concern about the need for early reform of congressional procedures, beginning this year, if possible, and will be pleased to assist you in that effort in any way we can. At the same time, we urge that you and your colleagues see this reform as one piece of a much broader and longer-term strategy for building an effective structure for managing the federal government's financial affairs.

Mr. BEILENSON. Thank you, sir.

I'd like to ask a few, if I may.

Do you think it is feasible to define and measure tax expenditure change as our draft bill proposes to do?

Mr. HAVENS. I think it is feasible. I share many of the concerns that Dr. Penner expressed about the technical difficulty in doing that. But we have felt for some time that if we choose to do it and start working with the process, the necessary conventions or agreements on how things will be measured, how things will be counted, what things will be identified as tax expenditures can emerge from the process of dealing with the issue.

These conventions, as in other parts of the budget, will necessarily be somewhat arbitrary. It is not possible to have an ultimate truth of what is the correct number for where tax expenditures change. But I think it is possible to come to an agreement as to what we will use for a surrogate for that number, and then use it.

Mr. BEILENSON. Are you supportive of our trying to include tax expenditures in some way?

Mr. HAVENS. We are supportive. I think if we were given our druthers, we would suggest that there be a period of experimentation with it. It has taken a number of years, for example, to bring credit budget to the point——

Mr. BEILENSON. We understand that; we have had that experience with credit. After a few years of experience with tax expenditures, five or ten years down the line we might change the way we deal with them. Hopefully, once we are used to dealing with them we will feel as comfortable about measuring them as we do about credit and other areas of the budget.

Mr. HAVENS. I think that is a sound approach. I think we will learn a lot from the process of trying to deal with it in the real world. So I think that it is feasible to do, I think it is useful to start in that direction and move as rapidly as possible.

Mr. BEILENSON. You mentioned credit control. With respect to the provisions in our proposal for credit control, do you have any particular comments on them, or are you generally supportive?

Mr. HAVENS. I think we are generally supportive of those. I think we know enough about the credit budget now that it is appropriate to begin moving toward a more binding approach toward the credit system.

Mr. BEILENSON. I think there is general agreement on that.

Your written testimony states—I think quite properly—that the delayed enactment of appropriations bills is disruptive and bad for government.

Could you possibly expand on that for a moment or two? What does a government manager go through when his appropriation is late? How big a problem is it?

Mr. HAVENS. I think it is probably not too much of an exaggeration to say the program manager operating under a continuing resolution goes through something very close to chaos. We looked at the Department of Health and Human Services and found that—I believe it was last year or the year before.

Mr. HUNTER. Well, I think the year before was worse.

Mr. HAVENS. HHS had something like six different budgets that it had to develop during the course of the year. Now they got it

done, and the Department continued to operate. But if you think that a department can plan or manage in any sort of an efficient, effective fashion when it does not know from 1 month to the next what the spending level is going to be, or if you think that a program can be carried out efficiently when people managing that program do not know what the grant level is going to be for the fourth quarter at the time they start the second quarter, that simply is not true. They cannot live in an efficient manner with that sort of uncertainty about their future.

I think it is possible to quantify only a very small part of the ill effects of the uncertainty flowing from continuing resolutions. Most of the effects are much more subjective in nature, but I think much more profound.

Mr. BEILENSON. If we can in fact do something about the growing trend of relying on continuing resolutions, we will be doing something truly useful, from your point of view.

Mr. HAVENS. You will be doing something profoundly useful, Mr. Chairman.

Mr. BEILENSON. It will make us feel good if this bill does anything to lessen reliance on continuing resolutions.

Your statement stresses that congressional budget reform is only part of what is needed to streamline and strengthen budget management and Federal financing.

Is your office doing or recommending anything to help insure that the executive branch does its part to make budgeting work?

Mr. HAVENS. Well, we are in the process of doing that. We hope to have a report out by the end of this month which will lay out what we think is an appropriate strategy for thinking about and beginning to deal with the systemic problems with financial management in general. Many of these problems go to the nature of the accounting systems in government. They go to the nature of the budget systems in the executive branch, which from my perspective are at least as much in need of overhaul as are those in the congressional phase of the process. They go to the need for efficient planning, they go to the need for reasonable control over and identification of the true costs of programs. There is a whole series of things.

As we look at the executive branch and the financial management structure as a whole, we think it is in a serious state of decay, the systems are obsolete. They provide Congress, as decisionmakers, with unreliable information. You have to deal with decisionmaking processes using information which you cannot assume is reliable.

We think the same problems pervade decisionmaking within the executive branch, and indeed the day-to-day program management of the executive branch. It is the system of problems in connection with problems that we think leads us to the conclusion that a general overhaul is needed.

That is not a short-term action. It is something that is going to take many years to accomplish. It is going to require a consensus about the need for overhaul, commitment to it over the years, high level of investment in systems, and people that will carry that through to the point where we have an effective financial management structure.

We hope to achieve that level of consensus in support of our ideas starting with Congress, but incorporating obviously the executive branch itself. That is how we are hoping to approach it. And we would obviously seek your support in that effort.

Mr. BEILENSON. Let me just ask you are there any areas of reform or change in the congressional budget process which, in your opinion, we have failed to try to come to grips with here, any holes that we should try to fill, or do you think we have done a pretty good job?

Mr. HAVENS. I think you have done a pretty good job within what I suppose are reasonable political constraints.

Mr. BEILENSON. We have tried not to work within political constraints. We have tried to do the best we could; we are worried about political constraints from here on in terms of what we can actually get. But we have tried to ignore political constraints up until now at least.

Mr. HAVENS. Well, then, let me offer an observation. I believe it was Dr. Schick yesterday in his statement, I believe used the term "triplication" in discussing the congressional budget process. One of the things that we see in looking not just at the congressional process, but the executive process as well, is the redundancy of the decisionmaking and the time consumed as a result of that redundancy, the uncertainty of the reliability of decisions made at one point in the process because they may be revisited later.

Now, from the congressional point of view, this goes to the issue of jurisdiction, committee jurisdiction. It goes to the issue of committee relationships. I offer that observation with a great deal of concern that you not perceive us to be suggesting that you ought to restructure the Congress. But, in fact, some of the problems in the congressional process, as in the executive branch process, relate to the structure of who the actors are and how they behave with respect to each other. And I think that is a profound problem. And I would suggest that in the long run you may not be able to get the efficiency in the congressional process that you would like without beginning to tackle that.

Mr. BEILENSON. You are absolutely right. And you are also right about the original statement that it is a political constraint which—which any time anybody around here tries to do anything about it they get slapped down. We have stayed away from that, figuring it was beyond our jurisdiction. We thought that whatever else useful we might come up with would be lost if we attempted to get into committees' jurisdiction and the structure of the House.

There is virtually no way for this task force—and I think it was——

Mr. HAVENS. I am not suggesting that you should have taken on that issue.

Mr. BEILENSON. I understand you. But you are quite right to remind me and the other members about that. We are aware of that problem.

Two more very quick things while you are here. First, I want to take this opportunity to thank you and your office for making available to us Ken Hunter and Marty Dey, who have been extremely helpful with respect to the work of the task force.

And, second, I just want to ask you very quickly—to remind people it is going on—if you can tell us anything at all about how your study on permanent continuing resolutions is coming along. That is something you are involved with.

Mr. HAVENS. Yes, it is.

Let me ask Mr. Hunter, who is more close to that project than I am, to give you an update.

Mr. HUNTER. Yes. We have briefed your staff on some of the early work, and would be available to do that for other staff and for you. We are following through on work that you requested at the State level that is going on right now. And as we complete segments of it, we will continue to make it available to the task force. It will proceed during the year and we will share it as we can.

Mr. BEILENSON. But the burden of it, among other things, is we should, if possible, avoid the need for continuing resolutions?

Mr. HUNTER. Yes.

Mr. HAVENS. I think that is clearly the case. If you can find a way not to need permanent or ad hoc continuing resolutions, the world would be a great deal better off. What we have been trying to do is trying to find out——

Mr. DAUB. We simply do not have budgets.

Mr. BEILENSON. Questions from our friends now. Mr. Daub.

Mr. DAUB. Just a comment.

I appreciate all the technical help that we are getting from all of you. And I would presume—and correct me if I am wrong—that this streamlined and more unified approach goes a long way toward putting a building block in place for the executive branch to be able to streamline and make more efficient its systems. I imagine then that one of the complaints that you get is that we do have so many other things going on that a program director is not unable to plan says, well, but I cannot make that decision yet because it is probably going to be another continuing resolution. I mean is there not almost an assumption now out there in the system of failure to act or plan because of an expectation of change?

Mr. HAVENS. Indeed there is, sir. And going back to your point, it is quite clear to me that anything you can do to streamline the congressional process will be quite consistent with what we would see as the long-term strategy for Government as a whole and is indeed essential to that. Because if the Congress cannot get its process streamlined, it does have the reverberations within the executive branch that will be difficult for them to deal with.

But I would come back to saying that I do not think you will get the maximum benefit out of the reforms that you are talking about if you continue to be dependent on the sort of data that you have been getting from the budget process and executive branch before.

Mr. DAUB. Just a comment that what is profound usually remains profound around here.

Mr. BEILENSON. That was profound. Thank you, sir.

Mr. Bonior, Mr. Aspin? No further questions?

We thank both of you very much.

Mr. HAVENS. It has been a pleasure.

Mr. BEILENSON. Our next two witnesses are on their way so we can sit around and talk for a minute or two.

[Brief recess.]

Mr. BEILENSON. We are pleased to have with us our friend and colleague, the Honorable Silvio Conte, Republican from Massachusetts.

STATEMENT OF HON. SILVIO O. CONTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. BEILENSON. Let me just say ahead of time, sir, that I agree with you about what is happening around this place. Unfortunately, there is not a lot that we can do about most of it here in this task force. But as we were saying here, we wish we could just tear out the House television and get down to business around here again, but I suppose that is beyond our jurisdiction.

Mr. CONTE. That is going to haunt us. It is getting worse and worse.

Mr. BEILENSON. I would encourage the Senate not to follow suit.

Mr. CONTE. If they have got any sense, they would come over here and talk to us and talk to some of the senior Members.

Mr. Chairman and members of the task force, I appreciate the opportunity to appear before you this morning to testify on proposed revisions of the congressional budget process.

Now, you have worked on this issue for a year and a half. And you have developed two alternative proposals, one of which you expect to recommend to the full Committee on Rules.

The first proposal, a so-called single-budget resolution would formalize the practice of the past 2 years, where we have adopted one budget resolution, which effectively controlled only discretionary budget authority.

The second proposal, a so-called single-budget bill, would include all appropriations, entitlements, revenue measures for the budget year, and would include a title containing totals for budget authority, outlays, revenue, entitlement authority, credit authority, and tax expenditures. This bill would be presented to the President, and then would become law unless he vetoed the bill.

Both proposals include an accelerated timetable.

Before I discuss my own position, I want to extend my highest compliments to the gentleman from California, Mr. Beilenson, and the other members of the task force for a job well done. You are to be congratulated. You have worked hard, and you deserve a lot of credit. You have provided the House with two alternatives which are technically sound, I think, and which fairly represent the two prevailing viewpoints on this issue. You certainly deserve the gratitude of the House.

The Budget Act was signed in July 1974. It has operated for 8 fiscal years, 1977 through 1984, plus the so-called trial run during 1976.

My position on budget reform is, of course, determined by my assessment of that experience, but that assessment must be made within the context of 26 years of service as a Member of the House of Representatives.

During that period, the political issues before us have become more complex and intense, reflecting the society and the world in which we live in today.

During that period, there have been many changes in the rules and procedures of the House. Taken together, those changes have had a profound impact on the ways in which the House, as a political institution, confronts political controversies, and resolves these controversies through the legislative process.

Those changes include: A more formal process for the election of committee and subcommittee chairmen; record votes in the Committee of the Whole; electronic voting; televised committee and floor proceedings; open committee meetings and conferences; the growth of political action committees; a trend toward annual authorizations and appropriations; the increasing costs of congressional elections; and the reliance on honoraria.

These changes are a fact of life, and I do not intend to debate them here today. But it is important for us to recognize their consequences, particularly that authority and responsibility in the House have become diffused; that the formal procedures of the House are more complex; and that the legislative process as a whole, and individual members, are more exposed to political pressures.

The Budget Act was enacted and has operated within this context. It is an observable fact of life that each year the budget process becomes more complex, more time consuming, and more detailed.

Each year, in the budget resolution, we appear to be confronting and resolving a series of individual political issues. In fact, of course, we are doing no such thing.

Once we have completed the budget resolution, we must then confront those issues again in the real world of bills, statutes, and vetoes.

And we are increasingly unable to do so because we have become politically exhausted during the protracted debate over individual issues in a concurrent resolution.

We are violating what I have come to regard as the political law of critical mass. That law is as follows:

Any political body, and any piece of legislation, has a finite capacity for controversial political issues. To exceed that capacity is to exceed the critical mass. The result for a body as a whole, or for an individual piece of legislation, is the political equivalent of a reactor meltdown.

The budget process was designed with the best of intentions. I voted for it. It is by no means the only reason that we are increasingly unable to deal with legislative issues in a timely and an effective manner.

But the budget process is probably the most important component in that critical mass. Circumstances have given us the opportunity to make improvements. It should be clear by now that, in my opinion, reforms must respect the law of critical mass, both for the Congress as a whole, and for any specific piece of legislation.

For this reason, I cannot support the comprehensive budget bill. I cannot conceive of this or any other Congress dealing with all appropriations, entitlements, and taxes for 1 year as a legislative package which, of course, would include all of the related issues—the MX and the B–1 bomber to abortion, school prayer, congressional pay, Panama Canal—you name it.

I support the single budget resolution, which provides that appropriation bills be reported by June 10, and have passed the House by June 30. The leadership and the chairmen would and should retain control over the scheduling of individual bills. Enforcement would and should be applied only to discretionary budget authority.

However, I would also recommend to the task force that several changes be made in the single budget resolution approach. All of those changes follow from the law of critical mass, and are intended to insure that the budget process be applied to the establishment and the enforcement of totals, and that the funding levels for individual programs be determined by the standing committees within those totals.

It has been demonstrated time and again that the process will operate at the maximum level of detail permitted by the most generous interpretation of the law.

Your report states the task force report will urge the Rules Committee to focus House consideration of budget resolutions on major fiscal and priority issues, principally through substitute amendments, rather than on line item amendments.

The only way to eliminate line items is to eliminate or amend those sections of the Budget Act which invite line items, but which are not absolutely essential to the construction and enforcement of the totals.

Specifically, I recommend the following additional amendments to the Budget Act:

The allocation to the committees under section 302(a) should constitute total budget authority, and the standing committee should make the allocation between discretionary and mandatory budget authority.

The functional categories should be eliminated. These categories are completely irrelevant to the control process, and they are an open invitation to line item amendments in the committee and on the floor.

I thank the members of the task force for their attention.

I have tried to view the budget process as a Member of the House, and not as a member of a particular committee. The House and the country will survive, somehow, no matter what we do, God willing.

But if we are to become a more effective institution, then we must all look beyond our own immediate interests to see what our experience is ready to teach us about our capabilities and limitations.

I thank you, Mr. Chairman, and members of the committee.

Mr. BEILENSON. We thank you very much, sir, as a very respected and beloved Member of the House for taking the time to prepare your testimony and to come up here and share it with us.

I think all of us agree with virtually all of those things you said. You said, it is an observable fact of life that each year the budget process becomes more complex. It does seem to take up all of the time of the Congress.

One of the good things—I think we all agree—about our proposal is that we tried to compress the schedule which you noted in your testimony. We try to dispose with appropriations and reconciliation

by the end of June. And when we come back after the 4th of July for whatever time is left—and this year there is very little time left, about 30 working days from July 1 all the way through September—the budget, including the appropriations bills, are done, at least on the House side. And in and of itself, if we set these deadlines and enforce them, it will force us to focus in on the decisions and get the work done.

Mr. CONTE. I could not agree with you more. You know better than I do the last 2 years that time lag from the May 15 deadline has been 39 days.

Mr. BEILENSON. This year the Speaker advised the authorizing committees that if they wanted the Appropriations Committee to take heed of what is in the authorizing bills, they would have to get their bills out by April or early May. The Speaker has agreed to reserve the month of June for appropriations bills. And nobody is going to be able to complain when Rules waives rule 21 because the authorizing committees will have had advance notice as to when their work was to be done.

Mr. DAUB. Mr. Chairman, I am going to have to leave. I want to thank the gentleman. I found just very quickly when I got here that that kind of insight being shared with all of us that we really are going to improve this institution. So thank you very much.

Mr. CONTE. Thank you.

Mr. BEILENSON. Let me ask our gentlemen over here if they have questions.

Mr. Panetta?

Mr. PANETTA. I do not disagree with the idea of critical mass. I guess the question is in the proposal you make for getting rid of the Iranians and nuclear plants at the same time, to get to a total figure of BA, how do you do that? I mean how do you set that figure without going through the process of having committees look at their functional areas, or at least the areas in their jurisdictions, look at the numbers, look at the pieces, and then be able to put together a number that is close to, you know, their own prior wording? That is one of the problems. I think one of the reasons we have those functional areas is to go through that kind of discipline, because you cannot get a bottom line number unless you go through the individual pieces. How would you do that without having schedules?

Mr. CONTE. Well, the size of the deficit plays a big role in that. And then you set your deficit based on fiscal policy.

Mr. PANETTA. How do you get to a BA number? You are talking about going to just the total budget authority number without eliminating the functional categories. How would you then—how do you arrive at a total budget authority number? How do you get there? Would you still have the committees recommend numbers to the Budget Committee?

Mr. CONTE. Once you determine what your outlays are, then you determine the associated level of BA.

Mr. PANETTA. I assume you have to get that from the committees, right? How do you defend the total number without—OK, you come up with a number, you come up with $920 billion. What is that made up of? How do you respond to that? What do you point to then?

Right now the functional categories give us a breakdown so that we can say, OK, welfare takes this much, food stamps take this much, and this is how we get our bottom number. How would you do that kind of thing?

Mr. CONTE. Once you determine your bottom number is going to be $925 billion, then you just cut up that piece of pie without going into function. And each committee can do that. They will know. But they do not tie it down. They will not be specific on it.

Mr. PANETTA. You understand my problem is getting the cart before the horse. In other words, how do you get to that $925 billion figure unless you go through the process of——

Mr. CONTE. Once you determine what your outlays are and what your deficit is, then you are going to determine the bottom line on BA.

Mr. PANETTA. I know that.

But you are assuming then that we have got to go through transportation, we have got to go through education, we have got to go through all the various categories to find out generally what those numbers are going to be, right?

Mr. CONTE. Yes.

Mr. BEILENSON. We considered trying to get away from using functional categories. We could, I suppose, compress them into fewer categories, like entitlements and defense. But we came to the conclusion that it was hard to do away with them; people were used to working with them, and there has to be some way of looking at the way the budget is divided.

Mr. Conte, perhaps we are not giving enough emphasis to a macro focus, to getting away from details. You mention the recommendation urging the Rules Committee to focus House consideration of budget resolutions on major fiscal and priority issues principally through substitute amendments. The Rules Committee, I think—and I think the House in general—is very strongly supportive of doing away with line-item debate, after our experience a couple of years ago with 50 or 60 amendments on line-item issues, which most of us did not like at all. I think that the Rules Committee in the future will make in order only substitute or major amendments.

Obviously, when people debate the budget on the floor, they are going to bring up specific items There is no way to prohibit that. But I think we will no longer have line item amendments which will be a vast improvement, and of course, which will speed up consideration of the resolution.

It took us 3 weeks once to go through all the budget amendments. When that happens, we have to address the same issues in the real legislation somewhere down the pike.

Mr. CONTE. I could not agree with you more.

Mr. BEILENSON. We hope that with this proposal of ours and the general inclination in the Rules Committee, we won't see any more line-item amendments.

Anything else?

Mr. PANETTA. No. Thank you.

Mr. BEILENSON. If not, we thank you very much, sir, for your coming up to testify. We really do appreciate your taking the time.

Mr. CONTE. I appreciate it.

Mr. BEILENSON. Mr. Mineta. We are pleased to have our friend and colleague, Mr. Norm Mineta from California, here to testify. And hopefully he will like some of the features in our proposal because we have stolen them from him, more or less.

STATEMENT OF HON. NORMAN Y. MINETA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. MINETA. Thank you very much, Mr. Chairman. I am very delighted to be here.

As you know, I have been interested in the congressional budget process for sometime, and chaired the Budget Process Task Force of the Budget Committee for 4 years. And so the prospects of serious action to move along much needed budget process reform is heartening indeed.

I would like to congratulate the Members for the efforts that have brought us to this point today. I wish you well and offer my help and assistance as this very important legislative effort moves along.

I would like to begin today by offering my general endorsement of the first of the two alternative approaches before us today. I believe that, of the two proposals, the single budget resolution approach provides the best possible vehicle for process reform. The evolutionary changes it embodies are appropriate and timely. And that principle guided me in drafting H.R. 2025 at the beginning of the 98th Congress.

Now, I realize that as the author of single binding resolution and credit budget reform bills in both the 97th and now again in the 98th Congress that my credentials as an impartial observer on this question are somewhat suspect.

Mr. BEILENSON. I do not think so, sir. I think you are a wise and experienced observer. And we welcome you comments.

Mr. MINETA. But I do believe you will agree that by taking the best current practices as a starting point, the single binding proposal provides a sound and reasonable basis for legislative reform.

I am also truly delighted to see a credit budget, an end to off-budget programs and controls on new backdoor spending included in both alternative draft bills. These three steps alone, by making our budget document truly and accurately reflective of the totality of Federal spending, would do more for the budget process than any other items that I can think of.

As you are all aware, the credit budget is a significant portion of our total financial activity. The preliminary estimates for direct loan obligations and guarantee commitments at current policy levels would be $226 billion in 1985. And the President has proposed reducing this level of $198.7 billion. These are large numbers. Even in these days of multi-hundred billion dollar deficits, and we must pay attention to them. We have been doing it by custom and practice under the elastic clause, and now the time has come to make the credit budget a mandatory part of our budget process.

I would like at this point to raise the question of whether the discussion drafts before us today also include impoundment controls on the credit budget. I believe such controls are necessary and should be part of any credit budget package.

The proposal to bring onto the unified budget those agencies which are either currently off the budget or scheduled to depart is, I believe, a necessary step if our budget is truly to serve as a useful and workable tool to measure Federal financial activity and its impact on the larger economic world.

As for controls on new backdoor spending, here again, Mr. Chairman, I wish to endorse the task force's draft proposal. While I am sure there are many different views on how to implement such controls, I hope there is consensus on the need to develop a mechanism such as the one before us today.

I am also pleased to see tax expenditures included in both alternative bills. Mr. Chairman, while I recognize that there may well be conversations about exactly how to handle this item, especially as it relates to reconciliation, I do believe the time has come, in one form or other, to acknowledge the importance of this item in the context of our formal budget process.

Another aspect of the draft, Mr. Chairman, that I would like to applaud are several steps designed to improve the range and reliability of the information available to us at budget time. I am referring to items such as the requirement for standardized baseline definitions, analysis of total Federal commitment by function, and CBO cost estimates of floor amendments. These are very much needed improvements.

Now, having endorsed so many aspects of the proposed legislation, I feel I must also note that two proposals of mine are not included in the material before us today. I realize that the automatic continuing resolution may well be an idea whose time has not yet come, and I will leave that aside for another day.

I also note with regret that no legislative language is proposed to formally create a capital budget or to protect revenues raised from dedicated user fees, and I look forward to reading the proposed report language recommending improvements in the President's special analysis D on capital expenditures.

As for user fees, I think we all agree that there will be an increasing reliance upon such fees in the future, and I hope that we can work together to provide appropriate mechanisms for budgeting these dedicated revenues.

Lastly, Mr. Chairman, I would like to comment on the proposed improvements to our schedule. Now, I share the concern for concerted and expeditious action that has led to this proposal. I am not sure, however, that the requirement that a budget resolution, all 13 appropriations bills, and any reconciliation measures must pass the House before a 4th of July district work period is an obtainable goal. I wonder if some more modest and achievable proposal can be drafted.

In closing, Mr. Chairman, I wish to once again emphasize my support and encouragement for your efforts and the members of this task force toward our common goal of improving our budget process. I believe the single resolution approach is, as I said at the outset, timely and appropriate.

Thank you very much, Mr. Chairman.

Mr. BEILENSON. We thank you very much, Norm, for coming and sharing your great amount of experience and interest in the budget process with us.

Let me just respond very quickly to a couple of things you brought up.

You brought to our attention something we had not really talked about. You talked about putting impoundment controls on credit. We did not touch impoundment, title X, at all. That is perhaps something we should look at.

And at the beginning of this hearing and our hearing yesterday, I said that we, of course, would be giving serious consideration to all the proposals and suggestions made by witnesses these 2 days. We will be going over all of them.

I do not know if we want to get into impoundment or how important it is to do so, but we had excluded that up to now.

Mr. MINETA. Right, Mr. Chairman.

Mr. BEILENSON. With respect to automatic continuing resolutions, we have spent a lot of time discussing them. There is quite a division of opinion. GAO, at our request, is conducting a major study of continuing resolutions, and will be coming up sometime in the relatively near future with results from that study. Once we have that information before us, we can decide at that point what we want to do about implementing an automatic continuing resolution.

I think we want to believe that under our new proposal there are not going to be any continuing resolutions anyway. We do not even want to consider the fact that there would be one in the wings.

It is useful suggestion you made and one which we have taken seriously. In a sense, we have put off making a decision about it.

On having a capital budget, generally speaking, to be frank about it, there has been relatively little support for it. You have been supportive of it, Mr. Wright has been supportive of it, but few others have been. And we have taken a middle road, as you commented here, by recommending improvements in the special analysis on capital expenditures because there is little support for a separate capital budget. And I think that is——

Mr. MINETA. Except for the members of the Public Works and Transportation Committee.

Mr. BEILENSON. Exactly. I did not want to say that, but it is understandable, obviously.

And, finally, with respect to your very proper comments about our proposed schedule, in some ways it is a tight schedule, but in other ways it is not. We are giving ourselves 6 full months to get budget legislation done. This schedule will force us, hopefully, to get more serious more quickly at the beginning of the session, to get more serious about all our business, but especially about budget matters.

I am not sure if you were here while Mr. Conte was here, at which time I commented that we have only 30 working days this year, 30 legislative days after July 1 before our scheduled adjournment in October. So if, in fact, we do not get the budget and a lot of other work done by the beginning of the 4th of July recess this year, we are just not going to get it done. We are going to have to come back for a lameduck session, which is not the proper way to do it.

Our proposed schedule does give us 6 months. And if we know about the schedule in advance, it can be done. We had relatively

good success last year in getting through a lot of appropriations bills before the end of June. It is going to happen again this year I think.

So we think it is a workable schedule. If we do not impose that kind of timetable upon ourselves and do not agree among ourselves from the outset that we want to be truly serious about it, the work is not going to be done.

But we appreciate your comments, especially your overall endorsement of our efforts.

Any questions from the members?

Mr. Panetta?

Mr. PANETTA. Mr. Chairman, if I could just make more of a comment.

Ever since I have been back here and worked with Norman on the Budget Committee, he has been pushing for the kinds of changes that are part of this reform bill. I think you ought to be very proud of the fact that those recommendations, particularly with regard to the credit budget, which is something we fought for for some period of time, were included, as well as the single budget resolution, which are really issues that you have been pushing for a long time.

Let me ask on the impoundment issue, if in fact you make the credit part of the budget resolution, does that not then fall within the bounds of impoundment once you have included it within the budget resolution, or does that have to be specifically authorized?

Mr. MEREDITH. I think title X would have to specifically address that. I think it goes to the budget outlays.

Mr. BEILENSON. We haven't looked at that seriously. It is something we will look at in the next couple of weeks and see if it makes sense.

Mr. PANETTA. It puts a little heat on the President to look at these issues too.

Mr. BEILENSON. It is a useful suggestion, and one that I have not heard before.

Mr. Bonior?

Mr. BONIOR. Norman, you allude to user fees. What did you have in mind specifically with regard to the writing of appropriate mechanisms for budgeting these dedicated revenues? Can you talk to us a little bit about that?

Mr. MINETA. Sure. As you are very well aware, we have a couple of user fees, such as the gas tax for highway funding, or aviation taxes—and that is the one I am familiar with principally since I chair the Aviation Subcommittee for Public Works and Transportation Committee. In that instance, we have an 8-percent passenger ticket tax. We have the 5-percent waybill on freight. We have a $3 international departure tax. We have a 12-cent general aviation gasoline tax and a 14-cent jet fuel on general aviation.

All of that goes into the aviation trust fund and is then used for facilities and equipment for the airway system and for improvements to be made at local airports across the country.

The problem is that as we have seen this past year, as a result of the efforts of the Secretary Lewis in transportation, our Public Works and Transportation Committee and Ways and Means, we

raised those taxes to the limits I just enumerated based on what we thought to be the needs in the aviation community.

The administration agreed, and we agreed, all right, let us pass this legislation. And that was in September 1982.

And then when the President submitted his budget in January 1983 for fiscal year 1984, he ultimately short-changed just the total facilities and equipment program by some $650 million. But at the same time, he did not do anything about the tax part of it, so naturally all that money that is coming into the aviation trust fund.

In the meantime, just in this one fiscal year, the balance, the surplus in the aviation trust fund, will go up by $1.9 billion.

So what they are doing is shoving the taxes on the consumers for whom we say, yes, you are going to get a deal out of this, you are going to get ILS, you are going to get improved airports, you are going to get improved essential air service, raise the taxes, but then we are not getting it. And the trust fund balance increases, they use that to offset the deficit.

And so then I put in a bill this year to say, OK, the heck with it, we will reduce those taxes by 25 percent because we are not getting what we bargained for. And so what I am trying to do is to get the linkage in user fees generally. We are going to have to be worried in mass transit now that we have got a mass transit account within the highway trust fund, we have 1 cent of that 5-cent gas tax that we all approved this last year, 1 cent goes to mass transit. But we have got to make sure that that gets used out there.

After all, it is the users who are paying it in.

And I want to get that linkage in there between what we are charging and what is going to the purposes those taxes were supposed to be dedicated to.

Mr. BONIOR. I see. Thank you.

Mr. BEILENSON. Mr. Derrick?

Mr. DERRICK. Thank you. I appreciate your testimony and I certainly agree with you that we need to improve the user fees.

Address for me if you will the argument that what we are doing is weakening the Budget Act with a single resolution approach of a failure to impose a deadline that two resolutions might impose.

Mr. MINETA. Well, I think the assumption was made that we would have a first resolution, and then watch the economy, and then have the second resolution. Though theoretically it was correct, I think experience has really proven it to be the wrong assumption or a myth, and that what we really ought to do is just go to that single resolution——

Mr. DERRICK. You don't think we are caving in though, do you, just because it didn't——

Mr. MINETA. No, no. I think that—I think it probably—or what I would say would be—or what I observed was there were probably more games being played because of the existence of that vehicle of the second resolution rather than getting down to business and dealing with what we had to do, and that was to look at what was our potential income, what are all the views and estimates of the committee, et cetera, and just deal with that responsibility rather than think that, well, that is all right, we will just go ahead and fool around with the first resolution because in September we can deal with it seriously in the second resolution.

I think that was just proven to be—has proven to be a myth by experience.

Mr. DERRICK. What concerns me is that, you know, maybe they will not play the games on a single resolution, but maybe there will not be any need to play the games because the Budget Committee will be really an accounting committee, and all the rest of that will not be relevant.

Mr. MINETA. Well, if you impose a schedule that says we are not going to be able to go home and eat hot dogs and salute the flag and listen to all that great music on the 4th of July, you know, that may be the kind of sanction that says you have got to deal with it.

Mr. DERRICK. Do you really think that we would keep them from going home 1 hour longer?

Mr. MINETA. Mr. Derrick, I think it would be un-American, but it may be necessary to have that as leverage. But it is a forceful one if we stick by it.

Mr. DERRICK. Thank you for your testimony. Thank you for answering the questions. I am really very concerned about that.

As you may recall——

Mr. MINETA. You were the first Members of our class in 1974 to be the representative to the Budget Committee. I can well recall.

Mr. DERRICK. But, you know, that really doesn't concern me. And you know the games that are played; that concerns me. But it is also a positive thing that when they are playing a lot of games you might believe that we are having an impact. If they quit playing the games, you might believe that we are becoming irrelevant. But it is something that concerns me a great deal, and I thank you.

Mr. BEILENSON. Mr. Panetta, do you have any questions, sir?

Mr. PANETTA. No.

Mr. BEILENSON. Anyone else have any?

Mr. Gregg?

Mr. GREGG. No, thank you.

Mr. BEILENSON. Well, Norman, I guess there are no more questions for you.

We do appreciate your testimony. We do appreciate very much your coming up here and sharing your views with us.

Mr. MINETA. Thank you for your leadership and the work of this committee. Thank you very much.

Mr. BEILENSON. David, do you want to wait for your other two friends? We are happy to wait a few minutes.

Mr. OBEY. Mickey cannot come. He will not be able to make it. I do not know what Ed's situation is. Why don't we just go ahead if it is all right with you.

Mr. BEILENSON. Sure, it is fine with us. I just want to do whatever would please you, sir.

Mr. Bolling is coming at 1 o'clock. I know that is not convenient for some of you. If Mr. Obey finishes prior to that time, it is my intention to recess until 1 o'clock.

For those of you that can come back, please do. Those who cannot, I understand.

Mr. David Obey, our friend and colleague, thank you, sir.

STATEMENT OF HON. DAVID R. OBEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. OBEY. Thank you, Mr. Chairman.

Mr. BEILENSON. Thank you for coming here to share your views with us.

Mr. OBEY. In a way, I am in a quandary, because I am not sure how much time you want to take.

Mr. BEILENSON. As much as you want. We are fine with respect to time. Do not worry about that.

Mr. OBEY. All right, fine.

Let me just say that I think you are dealing with the most important institutional question that the House faces in terms of retaining its self-respect and its relevancy. In the strongest possible terms, I would urge this group to proceed to move for overall radical comprehensive budget reform encompassing an omnibus budget approach rather than to try to make some "around the edges," fine tuning of the existing budget resolution approach.

I think one must look at the existing budget process as being a transitory one. It is a definite improvement over the previous situation in which we had absolutely no economic control. We took individual actions and at the end of the year found out what our overall policy was. No overall policy judgments preceded any of those individual actions.

The existing budget process was the first step to try. In my judgment—and I do not want to put words in Dick Bolling's mouth, but I think when he appears today, he would grant that when this existing process was established, it was not seen to be the final preference. It was simply an effort to begin the process of eventually evolving to a much more efficient and comprehensive budget approach. And I think the time to really take that leap to a comprehensive approach is now for a lot of reasons, some procedural and some subliminal, and some political.

The problem, as I see it, is that that the existing process must change if we are to establish a system which does finally put the needs of the entire institution ahead of the needs and desires of the individual pieces of the institution. And I do not think you can do that if you stick to the existing system. It is so easy under the existing system, even if you make minor changes, to figure out quickly who the institutional losers and who the institutional winners are.

So immediately people are going to take up sides on the basis of who wins and who loses.

The advantage of going to a comprehensive approach, in my judgment, in addition to the substantive advantages, is that it is very difficult to predict who would be the institutional winners and losers internally. That will be determined over time, in my opinion, by the skill with which the individual pieces of this place approach their dealing with the new system. And I think human behavior as much as institutional changes will in the end determine what a new comprehensive system will look like and who winds up being lesser players than they are today and who winds up being greater players than they are today.

And I think that is one reason that it would be easier to pass comprehensive legislation than one might otherwise think.

The present system, even with the changes that you are suggesting, in my opinion, is still far too time consuming. There are still no final winners and no final losers. And while I have my own opinions about what I would like to happen around here, what I want to happen more than anything else is to have some final winners and final losers even if I am the loser. I do not want to have to take six kicks at the cat. With all the groups around this place who always want you to be on all sides of the political spectrum, it ought to be seen as being in our interest, as people who are trying to make this institution work, to have a situation in which we can say to groups, "Look, we will go to the mat for you once, but we are not going to do that on the budget resolution and then on the appropriation bills and then on the continuing resolution. We will try it once."

And the problem with sticking with the budget resolution process is that the resolution process in the end is not real because it has to predict what is going to happen in the future in order to really establish any kind of numbers. And everybody can argue about whether or not the Ways and Means Committee will or will not produce X amount of numbers or whether the Appropriations Committee will do X, Y, and Z.

The easy way to tell what they will do is to vote immediately on the choices. I think the problem you have in the budget resolution process is that the resolution pretends to match macro judgments with micro program judgments, but in fact does not really do that. And that means that you do not force people to, in one sitting, take into account what they are doing in micro policy, when they establish these macro numbers. You also do not require people to focus on what they are doing to the macro numbers situation, the overall fiscal situation, when you are dealing with micro policy choices in the appropriation process or any other committee process around here.

In my opinion, until you match the two in one process, in one document, you will simply have a system of promissory notes. It will be our own version of the "down payment" procedure that we are getting now on this budget deficit with no guarantees that those notes are ever going to be met. And so I would just as strongly urge you to push the comprehensive approach.

I am frankly surprised, because in my discussions with many committee chairmen about this, I find them getting more upset and more exercised about the changes that they see in various parts of the budget resolution alternative than they seem to be getting about the idea of an ominibus approach.

Now, that might change. But at this point it is my honest reading of the way a number of committee chairmen feel.

And I am going to continue to try to work with them to move that process along, because I think everybody's interest lies in getting to a process which is as real as possible so that we are not forced by political circumstances to pose for holy pictures when we really want to be getting together and getting the damn problems solved.

34-033 O—84——9

I would like to take just a moment, if I could, to make a couple of points about your budget resolution approach.

First of all—and this would apply to both approaches—on page 9 of the summary of the proposals, the timing item (A. 2.) "House action deadline." I guess I remain a skeptic.

[The publication referred to: "Proposals To Improve the Congressional Budget Process," may be found in the committee files.]

Mr. OBEY. I certainly applaud that kind of deadline as a working deadline. But I really think that we are fooling ourselves, if we tell ourselves that these deadlines that are established here can prevent the Congress from leaving for a break. I think we are really fooling ourselves if we think that that will be a real impediment. I do not think it will.

I think that you can always find ways around it. And I frankly think that the leadership must retain flexibility in a case of extraordinary circumstances to move deadlines, even though they are very useful targets.

On page 10, item C. 1., says that the report will urge that program liberalizations not be included in a reconciliation bill. I question that because it seems to me, for instance, if you are dealing with loans versus grants in any area, you might very well want to contract on the grants and expand on the loans.

And at least as I read this, you would not be doing that. And I am not at all sure that is what you want to do, especially if you start getting into the credit budget situation.

Perhaps I misunderstand that recommendation, but that is the way it struck me at first blush.

On the same page, on item C. 3. "House action deadline," again I simply make the point I made before. I think that it is fine for a goal, but I really think we ought not to fool ourselves that is going to be locked in concrete. I do not think it will.

My objection to establishing a single budget resolution process is simply that I think it means that you are, at a time when we have the least information possible, early in the session, making judgments which lock people into real decisions down the line. And I think that political lines change, economic facts change, everything moves so fast that to say that your first resolution is going to be it just adds more to the lack of credibility around here. Because I think you have to become even more and more unreal in your budget resolution if it is a final resolution in order to pass it. It has to be more politically acceptable, it has to be less economically real, I think, in order to pass a budget resolution.

That is my objection to all budget resolutions. But if you are spelling out ahead of time that there is only going to be one, it is going to make Members, I think, more reluctant to vote for it. That makes it even tougher to carry a budget package.

Now, moving on to the omnibus approach, I think you have included a lot of items here which are certainly needed. And you have added some wrinkles, I think, which are very helpful. But I would like to express some severe concerns about some of the other changes that you have made.

On page 103 of the summary booklet, for instance, on the time table, the March 15 date. I really think it is highly unrealistic to expect that the Budget Committee will be able, by March 15, to

review the budget, hold the hearings, make the substantive judgments needed to put together a package, make the political judgments that are necessary in order to reach a consensus on that package, and then do the negotiating necessary to prevent everything from blowing up before they get the bill out of the Committee. I just do not think it is possible to do all of that by March 15.

And if you tried to do it, I think it would mean that the House would decline rapidly in terms of its real influence on the budget process and the Senate would become much more important than the Constitution ever intended it in terms of it being the controller of the purse strings. I think you need at least an extra month in order for the House to exercise judgments which are real and to give the House enough time to make political tradeoffs that are necessary any time you remove your package, especially when you are talking about something in the nature of an omnibus approach.

Mr. BEILENSON. Let me jump in for a second.

Obviously we have taken and built upon your proposal, and those of us who like your proposal, who appreciate the fact that you have made an alternative available to us, are trying to help it along as best we can. Our changes, some of which you do not love—and I appreciate your bringing your differences of opinion to us—were intended to help in various ways, to perhaps make it more likely to fly than it otherwise might be.

For example, our timetable, which you may not be pleased with, was meant to give the committees an adequate time to respond to the budget plan. We give them 2 months; we didn't want to give them too much less if possible.

I am of the opinion—I may be wrong—that if you sit down and get serious about what the budget ought to be—what the revenue and spending numbers ought to be—you can do that as well by March 15 as you can by April 15.

I think this year, for instance we know what the big budget problems are.

Mr. OBEY. Sure. I think you can probably do that if you exclude the necessity for public comment. But as I see it, I see a political trap here for the Budget Committee because if the Budget Committee has to proceed as rapidly as this schedule would require, what I would see happening is that they would have to greatly limit the witnesses available——

Mr. BEILENSON. That would not bother me at all.

Mr. OBEY. The problem is the other committees in the process would be holding extensive hearings. They would be going to the floor if their positions differed from the Budget Committee, saying, "Hey, boys, we reached our numbers after days and days and days of hearings, and you reached your numbers with very little public comment, and we think ours are more sensitive to public needs."

And I think you have the budget control aspect at a disadvantage at that point because of what I think would have to be the shortened time for public comment before you could proceed.

Mr. BEILENSON. Sure.

Mr. Daub?

Mr. DAUB. Would it just simply force the committees to meet on Monday and Friday to agree or not? Do you think we are still

bound up in the old Tuesday, Wednesday, Thursday Club, so the time is just in months not in terms of days?

Mr. OBEY. The Appropriations Committee does not meet Tuesday, Wednesday, Thursday. We meet Monday through Friday. And the Budget Committee, a lot of times, did the same thing when I served on it. I cannot testify to this year.

But there may be some people in the Tuesday to Thursday business. But I would rather move the fiscal year back a month than I would to move up the required reporting time for the Budget Committee.

Mr. DAUB. So change the fiscal year then to——

Mr. OBEY. If I had to choose between the two.

Mr. BEILENSON. It might be easier to do that, to start the fiscal year a month later. We have underlined and asterisked that suggestion.

Mr. OBEY. By the way, although I do not want to speak for Ed Bethune, who was going to make it here today but could not be here, Mickey Edwards, who also was planning to join me but had a last minute scheduling problem, indicated that I should express the point that he and I generally agree in what I am saying. We certainly are not partisan on it.

Second, on page 104—this may just be a definitional problem—item II. A. 5 refers to "Reconciliation directives." As we envision it, there would be no need for reconciliation in the omnibus budget approach. The way this approach would work in our view is that the Budget Committee produces its budget plan and that plan eventually would become the last title of the omnibus budget bill. All the committees who have to implement that plan or their version of it and produce their own titles for the omnibus budget bill. For example, the first 13 titles could be the appropriation titles, then other committee titles, you have your revenue titles.

And the "reconciliation" which would occur would be the votes which would be required to match the macro numbers with numbers in those individual titles. I am not quite certain what you mean by "Reconciliation directives," because I do not understand the need for reconciliation if you have an omnibus approach.

If it is just a statement laying out to the other committees what the Budget Committee thinks they ought to be doing in order to reach their totals, then I have no problem maybe it is just the term that I am confused about. Maybe the difference is semantics. I do not know.

Mr. BEILENSON. If we may, David, let us recess for 10 minutes to vote when we come back, we will respond to that question of yours, and we will go on. Gentlemen, please come back if you possibly can.

[Brief recess.]

Mr. BEILENSON. Let's get started. Other members will be coming back in. David, I think I know what you are talking about. You are talking about section 308, inclusion of reconciliation directives in budget plans. It is a question of semantics to a certain extent. We are asking committees to respond to the budget plan. We don't have any difference there.

Mr. OBEY. No, I don't think so either. I think it would be better if we could avoid the word "reconciliation."

Mr. BEILENSON. Well, with one caveat. Folks think reconciliation is the only tool to get at making certain kinds of changes, savings in entitlements and so forth. You can refer to that term and say, look, in this plan they are serious about getting the budget under control because they are using reconciliation to get committees to respond to the budget plan. So in that context, it is useful to use the word.

Mr. OBEY. That is your judgment. Whatever you do on that, I would urge you to also use the term "reconciliation" in terms of describing how that final title will be reconciled with the action on all the preceding titles and vice versa, because that is really an effort to reconcile the macro numbers with the individual numbers. And that might help.

Again, I recognize the motivation for most of these changes that you have made, but I do want to get one last shot in expressing my concern on them.

Mr. BEILENSON. Absolutely. I am not the slightest bit offended if the originator of this whole process has any problems with any changes we made. Do not worry about offending anyone.

Mr. OBEY. On page 106, the language says that Appropriations will report their 13 bills, I would hope that the committee would be able to report, if they chose to, a consolidated package. In other words report in one rather than 13 bills. I hope that they would be given that latitude because——

[The publication referred to: "Proposals To Improve the Congressional Budget Process," may be found in the committee files.]

Mr. BEILENSON. We would do that.

Mr. OBEY. OK, fine.

Mr. BEILENSON. The summaries that you are referring to are not quite clear on some things.

Mr. OBEY. Fine, fine.

Mr. BEILENSON. Not that they are not right, but they do not include some things.

Mr. OBEY. All right. Then on to page 107. Here is where I have major concerns. What this essentially says, as I read it, is that after each of the individual appropriation subtitles, which would be comparable to know what would be your individual 13 appropriation bills——

Mr. BEILENSON. And the other bills as well.

Mr. OBEY. But let me use appropriations as an example, because that is the one I am most familiar with. What this says, I think, is that after each title is considered, then there would occur a vote to recommit and a vote on passage for each of the titles.

I would very strongly urge you not to do that. I know that it would be convenient for me, for example if I could have an opportunity to vote against let's say the military appropriation bill given my views on how much in excess of what we need that bill contains. I would love to be able to vote against it.

The problem that I think is going to happen is that a lot of people will wind up voting for the easy titles, one by one. Tough ones come by, and they vote "no," and then they say, well, I do not want to vote for the package because it has got that piece in it, and it is hard for me to justify voting for it after I voted against the individual title. Or you will get people who will safely vote for the

safe titles, pose for holy pictures on those, and then vote against the entire package. And I would strongly urge you to force Members to swallow some things they do not like.

If I have an objection to the defense appropriation title, for instance, it seems to me that I ought to be required to exercise that objection through the amendment process on the title. But in the end, after the House has made its judgment, and whether I win or lose, then that title ought to be a piece of the whole. And in that way I will have been able to express my druthers. But in the end, I will not be in an easy street position where because I voted six times on individual titles and say because I voted for the Labor-HEW title, which contains my constituencies, that I can say, "Well, hell, I do not want the rest of that garbage." So I have already covered my tail on the Labor-HEW bill, on the Interior bill, and so on. And then I vote "no" on these other things.

I do not think individual Members ought to be given that to get off the hook and in that way sandbag the overall package.

Mr. BEILENSON. That was not possible under your proposal; right?

Mr. OBEY. No.

Under our proposal what we say is after the Appropriations Committee has finished its 13 titles and the House has worked its will, if the appropriation titles are out of line with the targets set by the Budget Committee, the Budget Committee would have a right to offer an amendment knocking that overall package down.

Mr. BEILENSON. As they still can under our proposal?

Mr. OBEY. Yes. But at the end of the Interior and HUD and the Defense and Labor-HEW bills, we would not have a passage vote. We would withhold any votes on passage until there is a vote on the entire package. And Members would have plenty of choices through the amendment process and through the choices that they would have to exercise between the Budget Committee and the Appropriations or Ways and Means or the Commerce Committee. They would have plenty of choices to make.

What I see this doing is simply adding an incredible amount of time. Because if you are adding for instance, 13 votes, on appropriations, you are adding hours on the floor just for rollcalls and in the process allowing Members to skip out on their obligation——

Mr. BEILENSON. Well, it is the latter that is more important. Let me just respond briefly if I may.

I do not disagree with your position, and I personally am willing and would prefer, I think, to vote the way you described. As I recall, the principal rationale for drafting it this way was that we kept running into people who were reluctant to bite off more than they thought we could chew. We thought that to the extent that we kept procedures similar to what we are doing now by making each title look like on individual bill, people would be that much more amenable, I think, to deal with the budget in one big package. We thought that showing that the package was not that different from current practice, might lead to some support for it.

With respect to a motion on recommitment, we were also trying to keep aboard some minority friends by protecting their traditional rights. None of this is in concrete. It was an attempt, as I said, to gather more support for a comprehensive budget bill. I under-

stand and do not disagree with your rationale for not wanting separate votes. But separate votes make it less frightening to many Members who otherwise—and maybe even with that—have problems agreeing to our comprehensive proposal.

Mr. OBEY. Maybe it does. Frankly my problem is I have not been able to get much time from people who are concerned about these problems to talk to them nose to nose because they generally do not seem to be here when we are testifying.

Mr. BEILENSON. I know.

Mr. OBEY. And so it is kind of like preaching to the choir.

Mr. BEILENSON. I know. I am sorry about that.

Mr. OBEY. That is certainly not your fault. If I were a Member of the minority I would see no advantage in having 13 additional votes on passage. It would seem to me that the minority can spell out to the House and to the country what its preferences are on a macroeconomic basis, and also spell out what its preferences are for changes they would like to make in each of the individual appropriation bills.

They would be able to do that through the amendment process, and they would be perfectly able to offer amendments during that process. I doubt, if they were thinking clearly that they would want to be in the position of having to decide on each individual appropriation bill. For instance, I don't want to have to decide whether to vote yes or no on the HEW-Labor title until I know what the other titles are. I might favor the HEW-Labor title, but by the time we finish with the whole bill, I might think, "Well, good grief, given the revenue amount we have been able to raise and given the limited cuts we have been able to make in the military budget, we ought to go back and cut that some more." And I think once you have given somebody an escape hatch, you just minimize the opportunity to get people in the majority and the minority to coalesce around their preferred interests. And you run the risk—for instance, if you were to knock down one or two of those titles along the way of the whole group in the House that is sore about that happening, saying, "Well, hell, you know, now I am not going to vote for the damn thing." Also Members who got their "pets" by are then going to say, "Well, you know, I am on record, I can explain to my people that I voted for the pieces they wanted, but it is just that crazy old foreign aid and military spending that I do not want."

Mr. BEILENSON. Your point is well taken.

Next point, sir.

Mr. OBEY. That is the main point that I would raise. Again, I recognize why you are doing that.

On page 108, breaking up the bill for the President's signature——

Mr. BEILENSON. To make sure you understand, we simply give discretion to the Congress to do in effect whatever we want, to decide how we want to break it up—whether we send it all as one bill or break it up and send it as separate bills.

Mr. OBEY. Well, I guess again you have to judge what is possible. My own preference would be that you keep it together, because I would hate to see the Congress get into another wholesale fight over how it is going to be broken down. You know, say you pass the

budget by two votes, and you are about to send it down, then you get into a hell of a fight over how it ought to be broken out, and then it falls apart.

Again, what I think you have to try to do is to minimize the opportunity for people, whatever their political philosophy, whether they be majority or minority, to engage in gamesmanship, engage in finding the seams and ducking in cutesy ways and not facing up to the fundamental choice you have to make.

Mr. BEILENSON. Plus the fact that you are basically striving for a single budget bill. And obviously you lose that to a certain extent if you break it up into different parts.

I am trying to recall the strongest objections that led us to include this provision for separating the bill. I think that Members were simply concerned that we would be giving the President too much power if he could veto that one bill. We would probably not have the votes to override that veto. And so it might be better to have the discretion to send legislation to the President in other forms.

Mr. OBEY. Well, I guess it does not bother me. I would rather have the Congress and the President make one fundamental judgment about the basic legislation than to split it up and get into an argument as to who is advantaged or who is disadvantaged.

Mr. BEILENSON. You can also argue, I think, that it would be difficult for the President to veto the entire budget. He would have to have an awfully good reason turning down the entire budget.

Mr. OBEY. I honestly don't know. I think it depends on the situation at the time and the skill of the President versus the Congress. It seems to me that we make all kinds of efforts to force Members to recognize that once they have had an opportunity to express their druthers, they have to set them aside, whether they win or lose, to simply keep the country running. And it seems to me that you institutionalize the committee conflict in this case.

In the end I do not see the task force version of the omnibus bill working because it means the Budget Committee is going to be standing at the gates snapping the whip and forcing votes on their amendments to each of the committee titles. And I do not think that is the way it will work.

I think the way it will work is this: the Budget Committee sets out its preferred budget game plan and then the other committees set out their responses to it. The only way things get done in this place, if we are really serious, is through negotiation. It is necessary to get people together to find the product that in the end they can live with.

In other words, you do in this process what we will end up doing at the end on reconciliation anyway. With all my objections to Gramm-Latta in terms of substance, in terms of the way that we were steamrollered, and our inability to find out what was in the damn thing, the one value that it had institutionally is that it did force the House to make some choices in a comprehensive way. It had not been so abusive of other powers, in my view, the idea of wrapping it into one package is essentially sound.

If it had not totally circumvented the entire committee process, it might have been all right. What I am looking at is how you can get to that overall comprehensive approach, so that in the end the

imperative of the whole overcomes the concern of the particular. Of course, you also must provide the legitimate opportunity for the particular groups and the particular committees to participate fully.

Mr. BEILENSON. OK.

Mr. OBEY. That is about it.

Mr. BEILENSON. Let me just make a few more comments.

I hope what the task force will do will be to send on to the Rules Committee in the relatively near future these two bills with some changes and suggestions. And we certainly will take into account your suggestions, and perhaps adopt some of them.

We are just trying to put this proposal in the best possible position that we can. You understand that we have tried to build on your idea. I guess we should reconsider some of the things we wanted to include.

As I think you know, sir, from the beginning—and even more so throughout these hearings—I have been intrigued by and would like at the very least to sometime try your comprehensive process.

I have also come to feel very strongly that such an attempt requires a commitment and an interest and an enormous amount of support from the leadership—much more than with a budget resolution scheme.

If you, or someone else around here who cared about this approach, were the Speaker it would work because you would have a Speaker and leadership and majority who were committed to this, and they would say, OK, men and women, this might not be the end all, it may not turn out to be so good as we hope and think it will be, but let us try it. And with a total commitment of both parties, we could have a go at it.

Your proposal takes a sort of leap of faith, and it is frightening to people. But the one thing it needs above everything else in my opinion—and I think some of our colleagues' opinions—is a lot of true interest in and commitment by leadership.

And absent that commitment, it is probably not going to work. Because if you just leave it to the Budget Committee, and you and whomever, it will not work.

Frankly, I do not think we quite have that commitment at this point.

Generally speaking, I think the response of members of the task force and some others is that, although a lot of members may be as intrigued as we are by it, they are not so willing to take that leap of faith as you and I and Mr. Panetta and some others might be, mainly because it is new and different. It is easier for them, understandably to take the path they are most used to and to go along with some modest changes to a system that we have all become used to working with.

I would point out to you parenthetically—and you may not appreciate this—but to a certain extent we, or I at least, have been pushing to make the single budget resolution approach, the other alternative, in its own little way as much like yours as possible by compressing the schedule, trying to force action on the authorizing bills in April or May, so we can take up all appropriations and reconciliation in June. Although the bills would not be wrapped up in a package, we would at least be doing the whole budget all within

a couple of months' time. We would get all the real decisions made in the first 6 months of the year.

And to the extent that that works, we would be moving a step toward your omnibus budget idea.

I will tell you that, at the very least, your overall approach has inspired us to try to push ahead and compress the schedule of our other more familiar approach so that we have comprehensive as close a concept as is possible in a system made up of separate legislative parts.

We are also trying to address your concern—which is shared by virtually everybody in the House on both sides—about line item debate in the budget resolution. If we stay with the existing process, or if Congress adopts the single budget resolution proposal, our recommendation will be that the Rules Committee provide rules for consideration of budget resolutions that only allow major alternatives or substitutes. We want to get away from debates we had in the past, where we would spend 3 weeks voting on line items—considering 64 or 67 amendments, whatever it was that we had 2 years ago.

So to the extent possible—and I think the House is in agreement—we are trying to get away from looking at specific line items in the budget resolution. We will have fewer cheap shots and fewer fake votes because we will have just a small handful votes on alternative budgets rather than 50 or 60 votes aimed at individual programs.

So at least some things you care about—and many of us share those concerns—are being addressed now and would be even more likely to occur were our single resolution alternative to be finally adopted, if that makes you feel any better. It makes me feel a little better.

Mr. OBEY. Well, I would just like to make three points in closing.

First of all, if we were to try the omnibus approach, it seems to me that it ought to be done on a trial basis. In that way, you can work your way through it and people are not locked into something before they know that it will work out.

Mr. BEILENSON. Sure.

Mr. OBEY. Second, it just seems to me that the tremendous advantage Members would have in the omnibus approach is the same advantage that my State legislators have at home. The major reason it is so difficult for us to address the deficit is because it is so difficult for people on either side of the political aisle, or just for plain old practicing politicians for that matter, to say "no" to your base constituencies. And I don't care if you are talking about the spending side or the tax break side, it is so damn difficult to say "no."

If you are dealing with an omnibus approach, you can gain a lot of room to do what is necessary to bring the two lines closer into balance. If you can go to all of those groups and say, "Look, I tried to do my best, but it was a package, and we just had to get it done," I think that you give Members that little running room which they need in order to make some of those tougher decisions.

Mr. BEILENSON. I agree you sometimes need a package on the tough issues. The only way we got the social security bill through last year was because there were some things in it that Democrats

did not like, other things Republicans did not like, and we were only able to vote for it, on both sides, because it was a package.

Mr. OBEY. The other point I would like to make and I forgot to mention, is that you give the Budget Committee the opportunity to address numbers on the basis of economic assumptions afterward. I really have great doubts about that.

It seems to me you are putting tremendous power in the hands of one committee. The Budget Committee needs to play the major role in determining what the macroeconomic policies of Congress are, but it does not need to be king. And I really think that gives them tremendous power, which I for one would be unwilling to grant.

Mr. BEILENSON. Others have made that same point, Dave. We were intending to allow only relatively minor technical changes just to bring the resolution into conformity with reality and not to impinge to any visible extent on any programs.

Mr. OBEY. That may be the intent, but I have seen how one and two words in the original act have been used to allow all kinds of things to go on. And what I am concerned about, especially if you are looking at going to a single budget resolution approach, which I have grave doubts about, is that you then wind up with an unreal resolution. I deeply believe the only kind of budget resolution that can pass around here is one that is not real. Then you have a tremendous temptation for the Budget Committee afterward to have to take the heat and "jimmy" the economic assumptions in order to make the budget real by administrative act rather than by legislative act. I think that puts the institution in one hell of a bind.

Mr. BEILENSON. Let me just ask two other things.

You prefer, do you not, that the comprehensive budget bill proposal provide for a reported plan rather than a resolution to be voted on?

Mr. OBEY. Yes, absolutely. That is crucial.

Mr. BEILENSON. Just so you know, that upsets some people. They say what right does the Budget Committee have to submit a plan?

Mr. OBEY. Well, you have got to have targets, somebody has to have the responsibility——

Mr. BEILENSON. I know. People are simply complaining because the House would not approve that plan——

Mr. OBEY. That's right. You are requiring committees to respond to the plan. You are requiring committees to produce their's along the lines product. They have a choice. They can produce a product that the Budget Committee is suggesting or they can assume on the basis of their greater knowledge and greater time to deal with the situation that they have a better product. They then bring it to the floor, and the House makes its choice.

Mr. BEILENSON. Under your original proposal the Budget Committee would comment on the committee's products.

Mr. OBEY. Sure. And they could offer amendments if the overall titles are out of line. The House makes choices. But, nobody is king to start with.

I think it creates the kind of collegial approach that you need to give everybody a free shot. Eventually there are winners, there are losers, and you can get on to doing other things rather than talking about budgets and nauseum for 12½ months a year.

Mr. BEILENSON. Let me just make one other comment. That is, if we decide to try your plan or some other kind of comprehensive plan, I personally feel that we then should give serious consideration to changing the makeup of the Budget Committee, because the committee would submit a plan, as we have just discussed, rather than a resolution to be voted on initially by the House. I think we would have to make it more of a leadership committee, and require the involvement of chairmen of certain committees, such as the Ways and Means Committee, which plays such a large part in the whole process. Ways and Means has entitlements, it has tax expenditures, and it only makes sense to involve the chairman, as well as the Appropriations Committee chairman, and others, and get their personal commitment, to follow through so that their committees will adhere to the plan that is being proposed.

The Budget Committee should not be as it is now, made up of relatively junior Members. I hope my colleagues on the committee take no offense. I am sure they do not. It is an excellent committee. But if you go to a comprehensive approach using a plan that is not to be voted on initially, it will carry that much more weight and eventually be much more successful if the people who put the plan together are the same people who have the power to carry it out or rather to encourage their own committees to carry it out.

It is not quite so necessary to change the Budget Committee if you stay with a resolution process.

Mr. OBEY. I agree with that. I would really rather see a good number of committee chairmen, authorizing committee chairmen, as well as others on the committee.

Mr. BEILENSON. I meant that.

Mr. OBEY. The argument I have heard against that is, well, you may run into a weak chairman on a weak committee. If that is the case. it is an indictment of the caucus for selecting a weak chairman. And if they really think that somebody is so weak that they cannot perform a simple function on the Budget Committee, they ought to do something about the basic problem.

But I think the way to make this process work is to get the major players, get the Dingells and the Rostenkowskis and the Perkins, the other major players in on that committee so that people are talking to each other from day one.

Mr. BEILENSON. And you would have the leadership of both parties, so they all decide collegially, we are going to aim in this direction, and we are all going to do everything we can to get our committees to go along.

Tim Penny?

Mr. PENNY. I just want to offer a few comments in support of the comprehensive budget approach. It seems to me that just to make changes in the existing structure leaves open the possibility that because we are essentially sticking with a familiar framework, we also will have the same kind of abuses of that framework that we have already suffered. You know, when people are familiar with the parameters of how the process works, it is just as easy to tinker with the abuses and come up with new abuses because it is all familiar.

I think when you come into something brand new, at least for the first year, everybody abides by the rules as they are laid out

because they have not done it before. The only thing they can do is just follow the guidelines.

So at least for 1 year we can be almost certain that a major change like this will work. And if we can set a good example in that first year, maybe we can convince folks that it is not to your advantage to play games with it or tinker with it in the future. The most important argument I think in support of this is that it gives us an orderly structure for the work to be done.

We say that this amount of time is going to be set aside on the floor, and we move through each one of these sections. That allows us to look at the whole picture. So you move along, it concentrates our efforts, concentrates our attention on every aspect of the budget and how it all fits together in a way that does not exist right now. And I think there is some great value in that.

And then of course at the tail end you reconcile your differences with where you intended to be. Throughout that process, the votes are all real. And it does parallel very well with the way the budget process works in State legislatures all across the Nation. And that is one of our greatest selling points because a great number of us came from State legislatures. And we had a process back there that was very similar to this. And we understand how that helped us get our job done.

I think we have a base of information that we can appeal to around here by just grabbing it in that manner, saying that we are really talking about the kind of budgeting in Congress that we accomplish at the State level. So I just want to add my support for this approach as opposed to the single resolution approach. I think if we are going to do anything at all, we have to recommend a major change. And a single resolution tinkers with the very familiar process which also means that we are also familiar with ways to get around that process.

Mr. BEILENSON. We only have 3½ minutes left for our vote.

Dave, thank you very much.

We will recess for 5 minutes and come back to hear Dick Bolling.

[Brief recess.]

Mr. BEILENSON. We are delighted to have as our next and our last witness today Hon. Dick Bolling, former chairman of this committee, who is a director of the Committee for a Responsible Federal Budget, and who is testifying on their behalf. But beyond that, a wise and good man who was involved in drafting and getting through the House the original Budget Act.

We are delighted you are taking time out to share your views today. You should come back more often. We could use your advice on more things than just this.

STATEMENT OF RICHARD BOLLING, FORMER CHAIRMAN, COMMITTEE ON RULES, U.S. HOUSE OF REPRESENTATIVES AND DIRECTOR, COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET, ACCOMPANIED BY CAROL G. COX, PRESIDENT OF COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET

Mr. BOLLING. Thank you, Mr. Chairman.

First, I would like to point out, Mr. Chairman, the chairman of the Committee for a Responsible Federal Budget, Robert N.

Giaimo, is right behind me. He had another engagement scheduled or he would be your witness, as you know. That particular engagement fell apart, and we are fortunate to have him with us.

Mr. BEILENSON. I hope it does not offend the gentleman, but we would prefer to have you, sir.

Mr. BOLLING. And with me at the table is Carol Cox, who is the very able president for the Committee for a Responsible Federal Budget and leads a staff who are both experienced and highly intelligent.

What I am going to do is present, if I may, the whole of the testimony for the committee, and ask that it be included in full at this point.

Mr. BEILENSON. Without objection, it will be included at this point.

[Mr. Bolling's prepared statement follows:]

TESTIMONY OF RICHARD BOLLING, FORMER CHAIRMAN, COMMITTEE ON RULES, U.S. HOUSE OF REPRESENTATIVES AND DIRECTOR, COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET

Mr. Chairman, I am here today to testify on behalf of the Committee for a Responsible Federal Budget.[1] That committee was first formed out of concern for sound budget process. We would like to say to you and to all the members of your task force: You have performed an invaluable service for everyone who cares about the issue of budget process.

You have stepped back from the daily debate on budget priorities. You have examined process apart from your own political concerns. You have tried to plan for the future—and to take from the past the lessons it can teach.

It is all too infrequent an occurrence when Congress considers how we shall consider and complete the business of the Nation. As one who served with you for many years, I fully understand how the legislature becomes preoccupied with the question: "How can we do what we must today?" Rather than "How can we do it better tomorrow?"

It is always nice when the things we do personally work out well. And I believe I can claim some credit for your product. I did have something to do with the establishment of this task force. And I tried while I was chairman of the Rules Committee to create a climate within which you could complete this important work. But it is you who deserve credit for the high quality of these discussion drafts and for taking the time and making the effort necessary to produce them.

Where should you go from here? And how should you proceed? You should consider two important points.

First, budgeting is at the heart of the political system. It is so important to all other political decisions that we must have broad agreement including both political parties, both Houses of Congress, both the legislature and the Executive, and including even the special interest groups which have become an important part of our political system. Absent such agreement, even the best of budget plans is doomed to fail.

Second, the current budget crisis—the deficit crisis—is so severe you must concentrate your energies on that problem. A major process debate at this time runs the risk of dissipating energy badly needed to address the deficit crisis. And it is highly unlikely you could reach agreement on a new or improved budget process so long as the spectre of huge deficits overhangs all budget debate.

Does that mean all the work you have done—and the fine product you have produced—must be put on the back burner? No. What it does mean is: You must con-

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[1] The Committee for a Responsible Federal Budget is a bipartisan private nonprofit organization formed to support and strengthen the Federal budget process.

The Committee is cochaired by Robert N. Giaimo and John J. Rhodes. Brock Adams, Roy Ash, Henry Bellmon, Richard Bolling, M. Caldwell Butler, Delwin M. Clawson, Carol G. Cox, John H. Filer, John W. Gardner, Clifton C. Garvin, Jr., Alan Greenspan, Arthur Levitt, Jr., James Lynn, James T. McIntyre, Jr., Howard R. Moskof, Edmund S. Muskie, Peter G. Peterson, Leland S. Prussia, Alice M. Rivlin, Elmer Staats, Robert Strauss, and Al Ullman are on the Board of Directors.

tinue your process deliberations in a different forum, apart from the regular legislative process which will inevitably continue to be dominated by the deficit debate.

Your task force has laid the groundwork, and laid it well. We would suggest a logical next step might be for the leadership of the House and the Senate to set up a bicameral group. That group should be composed (as is yours) of members representing all the interests concerned with budgeting: authorizing committees, appropriations committees, revenue committees, budget committees, and the House Rules Committee and the Senate Governmental Affairs Committee.

Both the House and the Senate must agree on basic ground rules for the congressional budget process, or Congress will have no budget process at all.

If the House and Senate proceed along separate tracks to revise the budget process, you may well find you come up with different approaches to budgeting. And two congressional budget processes amount to the same thing as no congressional budget process at all.

One very important reason we invented the Congressional Budget Act and process in the first place was to put Congress on more equal footing with the executive branch when it came to setting fiscal policy. Anything you do to disupt congressional unity will inevitably strengthen the hand of the Executive. Bluntly, separate budget processes in the House and the Senate would make it far easier for the President to define the debate. The administration could choose the system it liked best—divide and conquer.

You will recall that, when we wrote the Budget and Impoundment Control Act, we began with a bicameral task force. It was in that task force we agreed on the basic framework for the congressional budget process. And it was that group that reached basic agreements on a conceptual framework for executive/legislative relationships on budget-related issues.

Once we reached those agreements, each House wrote procedures consistent with its own concerns to implement the framework. It was only after we had completed all these steps that we worked out the remaining differences between us in a conference on the Budget Act itself.

We believe you would do well to proceed now in a similar manner. And we believe that such a procedure would lend itself to separation of the budget process issues from the substantive deficit reduction issues. Let me repeat, those issues must be resolved in separate fora, or the deficit issues will overwhelm your process debate.

It is impossible to consider anything that touches on budgets today without saying something about the deficit crisis we face. And having raised that issue, let me say something briefly about it, even though it is not the subject of your hearings today.

Western democracy will stand or fall based upon whether we can manage our fiscal affairs in a responsible fashion. Not only this Nation, but all of our democratic allies are facing the same challenge. History teaches us that we can only confront crises like this when coalitions of dissimilar individuals representing disparate points of view come together—each more committed to the common goal than to protecting his own special interest.

This must happen on Federal fiscal policy. And it must happen soon. Much has been said recently about the need for bipartisan agreement. But it seems, so far, as if everyone involved has their own blueprint for deficit reduction to which they seek bipartisan agreement. I am not politically naive. I understand election year politics. But I must also say to you, it is naive to think we can go on playing partisan, special interest politics with an issue of such basic concern to all of us and to the Nation.

Having said that—and it must be said—let me return to the subject of this hearing.

Your task force has produced discussion drafts of two bills. "Single Budget Resolution Approach," and "Comprehensive Budget Bill Approach."

We fear the "Comprehensive Budget Bill Approach" would not work. We are very sympathetic to Congressman Obey's concern that budget resolution votes now are often "freebies," i.e., that they allow Members to vote for low spending totals—and/or for tax increases—in the abstract and then permit the same Members to vote against the specific bills that would be needed to keep spending and revenue levels within the amounts in the budget resolution.

It seems to us, however, that the problem is one of political will, not of process. Congress could, under the present system, force spending cuts and/or tax increases to stay within the budget. Or Congress could change the budget to conform to spending and tax laws adopted. For a variety of reasons, Congress has not chosen either of those options. But the reasons Congress has done neither are political.

The "Comprehensive Budget Bill Approach" raises three areas of concern.

First, it could strengthen the case for line item veto authority for the Executive.

Under this approach, the President could be confronted with one bill containing all spending and tax policy. Even if the President is sent separate titles to sign or veto separately, we cannot ignore the fact that Congress always would control what was included in each separate title of the bill.

Second, this approach could well result in higher spending and/or lower taxes. Congress would not vote on a budget before it considered individual spending and tax bills. The "budget plan" would be the creation of the House Budget Committee. We have troubles now living within budgets on which the House and Senate have agreed. It would be far harder to enforce a budget on which the whole House had never voted.

Third, I was among those who criticized the 1981 reconciliation bill. Among other concerns, one thing that bothered many of us was that the bill was so large, there was so much to consider in so short a period of time, no one knew really what we were doing. Putting all spending and tax legislation in one bill would be the ultimate exaggeration of this kind of omnibus legislation.

It is true we do not know all the details of many bills when the House votes. But I do not think we should adopt a system that ensures no one can know what's included in the legislation before you.

The "Single Budget Resolution Approach" builds on the existing budget process. It is generally consistent with the direction in which our committee has urged Congress to move.

The proposal expands coverage, bringing off-budget spending on budget; and it formalizes 3-year budget resolutions. Credit levels and tax expenditures are fully accounted for in the budget and subject to the same enforcement procedures as spending and revenues.

These are certainly moves in the right direction. I have been concerned for some time that tax expenditures escape the kind of scrutiny they should receive in our current budget process. Credit programs comprise the vast majority of off-budget expenditures.

Let me caution you, however, that any requirement for the budget—and by implication, for the Budget Committees—to distinguish in kind as well as in amount, as between various kinds of credit activities and/or tax expenditures, could cause serious problems.

Many believe the Budget Committees now concern themselves more than they ought to do with specific line items in the budget. Do we want to require them to do so to a greater extent in the future?

Would it be better to identify tax expenditures and credit activities which serve essentially the same purposes as spending programs and devise a way in which we can examine and try trading off one against the other?

This is an area in which we may need further careful study before we re-write the law, lest we solve one problem by creating another.

The single resolution proposal would accelerate the budget timetable. We must ask whether in expanding coverage in the budget resolution and compressing the amount of time allocated to consideration of it, Congress is biting off more than it can chew. You already have trouble meeting budget deadlines. Don't write into law something with which you cannot live.

The same might be said for the deadlines the draft proposes for completing action on appropriations and reconciliation bills.

We were dismayed when Congress adjourned without completing action on your reconciliation legislation last fall. We hope you will do something about that before this Congress adjourns this year. But statute cannot repeal the laws of politics and human nature. And creating deadlines you cannot meet will only lead to frustration and disappointment—inside and outside the institution.

We support the move to one compulsory budget resolution each year. We would support movement toward one resolution every other year—or minimizing the decisions you must consider every year. (But that would require 2-year appropriations as well as 2-year budgets, at least for some programs and activities.)

We are not certain how well the so-called technical adjustments in the budget will work. There is a comforting safeguard in the requirement that both House and Senate Budget Committees must agree and that they could be overridden by one-fourth of both Houses. But beware: It would be very hard to distinguish between technical changes and policy in such a system (and the administration would almost certainly want to participate in such decisions.)

We believe there are some technical issues with respect to the enforcement provisions in the discussion draft. If you like, our staff would be happy to discuss those with the staff of the task force.

Suffice it to say here, we support enforcement of the budget both at the aggregate and based on committee and subcommittee allocations. And you must enforce outlays, or there are some programs for which you won't be able to enforce spending limits at all.

We also have a concern about exempting all authorization legislation from the reconciliation process by law. Some authorizations are more like entitlements than others. At least those authorizations should be treated as you treat entitlements if you intend to continue to use reconciliation as a basic tool of budgetary enforcement.

Also, ask yourselves to what extent do you want to proscribe future Congresses use of reconciliation? At some future date, Congress might choose to use the reconciliation process to constrain defense spending. Is it your intention to preclude their doing so? That would be the effect of the language included in the draft bill.

One serious concern raised by the draft is the provision in section 305(c) for a separate vote on any procedure in a conference report which would alter the rules/procedure of the House, unless that procedure was included in the House-passed resolution. This is a departure from the usual measure of germaneness with regard to conference reports, and it could go a long way toward destroying the conference process as it applies to budget resolutions. It is not a large step from this provision to one that says the House will vote separately on the conference number for defense, or for any other function of government if that number is not the same as in the House-passed version.

What are we talking about here? We are talking about delayed enrollment, or about the reserve funds in the budget resolution last year, or about any new matter or procedure the Senate includes in its resolution to which House conferees agree as part of an overall agreement on a conference report.

Do we mean we don't trust the House conferees? Do we really think House conferees could extract concessions from their Senate counterparts in return for agreeing to such provisions, if the Senate knew the House could then reject the concessions made by House conferees?

I understand the temptation to include this provision in the bill, but we just do not think it will work.

Our committee has one final concern about the draft. The Speaker and the President pro tempore of the Senate appoint the CBO Director. Current law provides they do so based on the recommendations of the Budget Committees. The draft would have them make the appointment based on the recommendation of all committees.

We have had great difficulty bringing together all those involved under current law and reaching agreement on a Director on the only two occasions on which we have needed to do so. Expanding the cast of characters would only make the task more difficult. And so long as the Speaker and the President pro tempore make the appointment, everyone in the House and Senate can make their views known to them. We don't need to change the law to ensure that Tip O'Neill won't ignore anyone who raises a legitimate concern or who makes a good suggestion.

In closing, Mr. Chairman, let me say again: You and your task force have done a tremendous job. We hope Congress will make good use of the product you have produced. If there is any way in which we can help, we will be happy to do so.

Mr. BOLLING. I am going to read the beginning, and I am going to leave the more technical part to you all. I have a few words to say.

Mr. Chairman, I am here today to testify on behalf of the Committee for a Responsible Federal Budget. That committee was first formed out of concern for sound budget process. We would like to say to you and to all the members of your task force: You have performed an invaluable service for everyone who cares about the issue of the budget process.

You have stepped back from the daily debate on budget priorities. You have examined process apart from your own political concerns. You have tried to plan for the future—and to take from the past the lessons it can teach.

It is all too infrequent an occurrence when Congress considers how we shall consider and complete the business of the Nation. As one who served with you for many years, I fully understand how

the legislature becomes preoccupied with the question: "How can we do what we must today?" Rather than "How can we do it better tomorrow?"

It is always nice when the things we do personally work out well. And I believe I can claim some credit for your product. I did have something to do with the establishment of this task force. And I tried while I was chairman of the Rules Committee to create a climate within which you could complete this important work. But it is you who deserve credit for the high quality of these discussion drafts and for taking the time and making the effort necessary to produce them.

Where should you go from here? And how should you proceed? You should consider two important points.

First, budgeting is at the heart of the political system. It is so important to all other political decisions that we must have broad agreement including both political parties, both Houses of Congress, both the legislature and the executive, and including even the special interest groups which have become an important part of our political system. Absent such agreement, even the best of budget plans is doomed to fail.

Second, the current budget crisis—the deficit crisis—is so severe you must concentrate your energies on that problem. A major process debate at this time runs the risk of dissipating energy badly needed to address the deficit crisis. And it is highly unlikely you could reach agreement on a new or improved budget process so long as the spectre of huge deficits overhangs all budget debate.

Does that mean all the work you have done—and the fine product you have produced—must be put on the back burner? No. What it does mean is: You must continue your process deliberations in a different forum, apart from the regular legislative process which will inevitably continue to be dominated by the deficit debate.

Your task force has laid the groundwork, and laid it well. We would suggest a logical next step might be for the leadership of the House and the Senate to set up a bicameral group. That group should be composed—as is yours—of members representing all the interests concerned with budgeting: authorizing committees, appropriations committees, revenue committees, budget committees, and the House Rules Committee and the Senate Governmental Affairs Committee.

Both the House and the Senate must agree on basic ground rules for the congressional budget process, or Congress will have no budget process at all.

If the House and Senate proceed along separate tracks to revise the budget process, you may well find you come up with two different approaches to budgeting. And two congressional budget processes amount to the same thing as no congressional budget process at all.

One very important reason we invented the Congressional Budget Act and process in the first place was to put Congress on more equal footing with the executive branch when it came to setting fiscal policy. Anything you do to disrupt congressional unity will inevitably strengthen the hand of the Executive. Bluntly, separate budget processes in the House and the Senate would make it

far easier for the President to define the debate. The administration could choose the system it liked best—divide and conquer.

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We believe you would do well to proceed now in a similar manner. And we believe that such a procedure would lend itself to separation of the budget process issues from the substantive deficit reduction issues.

Let me repeat: Those issues must be resolved in separate forums, or the deficit issues will overwhelm your process debate.

It is impossible to consider anything that touches on budgets today without saying something about the deficit crisis we face. And having raised that issue, let me say something briefly about it, even though it is not the subject of your hearings today.

Western democracy will stand or fall based upon whether we can manage our fiscal affairs in a responsible fashion. Not only this Nation, but all of our democratic allies are facing the same challenge. History teaches us that we can only confront crises like this when coalitions of dissimilar individuals representing disparate points of view come together—each more committed to the common goal than to protecting his own special interest.

This must happen on Federal fiscal policy. And it must happen soon. Much has been said recently about the need for bipartisan agreement. But it seems, so far, as if everyone involved has his own blueprint for deficit reduction to which he seeks bipartisan agreement. I am not politically naive. I understand election year politics. But I must also say to you, it is naive to think we can go on playing partisan, special interest politics with an issue of such basic concern to all of us and the Nation.

I will stop there and urge you to read the remainder of the statement. I think it represents the point of the view of the committee as a whole, and I think it represents it very well.

I hope that your staff and our staff will find it wise to consult together and to work together, because I think we have something to contribute.

Mr. BEILENSON. We certainly shall, sir.

Forgive me for interrupting you at this point. We have 9 minutes to a vote. Should we take 2 minutes and come back and talk to you?

Mr. BOLLING. That is a good place to split.

[Brief recess.]

Mr. BEILENSON. Maybe, Mr. Chairman, we should continue now; Mr. Hall and Mr. Panetta may come back in a minute.

Mr. BOLLING. What I am going to do now, I am not contradicting the testimony, but what I have is—as is not unusual with me—some views of my own that are a little varied.

I am not going to take sides on the two proposals which you outlined very skillfully in your document. People have criticized me in the past for taking too much of a holistic approach to problems of organizations and reorganization of the institution, and I think the great virtue of the Obey approach is that it does present a whole in one piece. And I have some inclinations toward that approach, but I recognize the difficulties with it and the arguments against it.

I do not know how to weigh it. I am not repelled by the complexity of the one. I served in 1951, I guess it was, the one year an attempt was made to have a single appropriation bill as required by the reorganization in 1946. And it was not a success. It was not a success because there was not a real effort made on the part of all the people involved to make it a success.

And that leads you into a whole series of historic points that I am not going to make. There never was a time when if the Appropriations Committee had a will it would not have had the capacity to have a budget. And it never did—at least I am not aware of it ever happening.

And when we re-invented the budget process, we were really saying, look, we will wipe the slate clean and see if we can do it right this time.

I do not have any question but that the Congress could operate under a process like the Obey proposal. It seems to be drawing a significant amount of support. I am going to move out of the whole process and say since I am not here and do not have an opportunity to assess the support, I do not know what is more likely to bring together the forces in Congress that you need to have.

I outlined that, I believe, as part of the statement. I think you have to have a bipartisan approach. I think it has to be multicameral. And I think it has to include not only the Congress, but also the Executive if we are really going to have a process that will work, and which—and this is one of the things I like about Obey's approach—which will make clear to the people what the Government is doing. I think that is terribly important.

I think now they are looking at all of these discussions, and they are pretty well confused. And we have not worked out the compromises for cooperation between the two sides—one that wants a budget process that will automatically reduce and the other which prefers to have a situation where there is more opportunity to meet specific problems in any given year rather than making it a very long-range process where you have to think out everything in great detail.

So I do not propose to take sides personally. The internal politics is, of course, as I know all of you understand, the most important thing. I am not talking about partisan politics, I am talking about power politics: the relationship of the legislative committees—the powerful legislative committees versus the weak legislative committees; all the legislative committees versus the appropriations committees, and both of those sets of committees against the Budget Committee.

How you put together that set of relationships so that everybody has something to do and feels that they are on a useful committee seems to be the key. I think you have to look at that kind of politics very, very carefully as much as you look at the other kind of politics.

I have a very strong view on how the members of the Budget Committee, should be selected. The tip-off is how the Democratic Members of the Rules Committee are selected. I am the person who offered that resolution in the caucus. I like the delay system of the Speaker having the right to exclusively nominate all the Democratic Members—and I would hope the same kind of thing was true on the Republican side, on the minority side. I think that the Rules Committee very clearly is a leadership committee. I think the Budget Committee ought to be a leadership committee

I do not think it weakens the power of the individual Member. I do not feel that I was a weak chairman simply because I was subject to the veto of the Speaker. I think that that should be done for all the members of the Budget Committee.

Now, whether that is feasible or not, I do not know. But I think that the Budget Committee is clearly the key leadership committee in the whole process. Because I know if you have a Budget Committee, it is going to be the entity that puts together the work for all the other entities. So I am prepared as an individual to feel very strongly about that.

I have one other odd view that I do not think any Democrats will share, and perhaps very few Members of the House will share. But I happen to be and have been for years in favor of a line item veto for the President. Again, I think it is a balancing out. There is one thing that offends me a great deal about this institution, and it has from the very beginning. I believe that people who rise to substantial power in this institution sometimes—not always—tend to abuse that power rather badly and do it in such a way as to make the institution more likely to be a group of equal good old boys and girls rather than a national legislature.

And I dislike the ability to use the power of the chairman of a great committee to get projects for ones own district, to do things for ones own State without an opportunity for the President to say, in effect, some of these things are too narrow, they are not broad enough, and I am going to take them out on a line item veto. I think we need to put that balance back in for the sake of the relationship between the different parts of the country and the whole of the country. I think it may be obscure, I may not make it clear, but I have been thinking about it for a long time, and I think we need to give the President a line item veto.

And I think also—and I hate to be complicated. At least one of my old friends around here—or old enemies, whichever way you want to put it—said, whenever he came upon something that was very complicated, "that is a Bolling."

So it may be that I have a failing of making things too complicated.

But I do not think you can talk about the line item veto for the President without talking about the problem that we have with the legislative veto. I think that comes together.

And that finally leads me to my own personal conclusion—and remember that I give no responsibility to my friend, Mr. John Rhodes, or our President for these comments. These are mine alone.

I think in the end you, or maybe others, are going to have to be involved in a relatively large reorganization of the whole institution in order to make a budget process really work very well. Because I do think that the relationship between the legislative committees, the appropriation committees, the overall Budget Committee, and the leadership involves a great deal of complexity. Some of the complexity is self-imposed because we have an irrational situation with regard to jurisdiction, and at some point in time we are going to have to deal with that.

I apologize for going beyond your charge.

Thank you, Mr. Chairman.

Mr. BEILENSON. We are glad you did, sir. Thank you very much.

Let me just respond very briefly to a couple of things, if I may. And let me say at the outset quite bluntly and frankly that I am not sympathetic to your suggestion that we take the logical next step, as your testimony puts it, and call for a bicameral group to look at the budget process further. Frankly, we have spent 1½ years trying to identify the issues and to reach out and get all the information we possibly can. Whether or not we have done a great job remains to be seen.

But I think we have identified the issues, I think we have had testimony ad nauseam almost—I do not mean today's. I mean the issues——

Mr. BOLLING. It is nothing very new.

Mr. BEILENSON. I think we should proceed if we can. There are problems to be resolved. You point out one of them in your prepared testimony, and that is that we do not want to get into the situation where the House and Senate proceed along separate tracks. That would not be good.

And I would simply say with respect to that that the Senate has been kept apprised of our work, they are following what we are doing even though they are not working on the issue the way we are. We have had close relationships with several Senators especially Mr. Domenici, who has submitted a memorandum stating his approval on or disagreement with the specific proposals that we are suggesting here. If we end up proposing, and the House approves, the first of our two alternatives, the single binding budget which is very similar to our existing process, the Senate might go along with it in the immediate future.

I think it is fair to say that if we propose Mr. Obey's comprehensive plan, we might at least for the moment lose the Senate. But if we choose the more familiar path, our existing process, with some modifications, perhaps we might be able to work it out. Either way, as you are quite aware, we would be building on what you all did back in 1974. None of what we are proposing is all that different from any concept you had.

Obviously the 1974 act was a necessary first step, and it is evolving as I guess you assumed it would have to do. Perhaps that evolution will involve first going to a single binding resolution, and then to a comprehensive approach.

Mr. Obey was here before you. Your good friend and ours is urging us to take that leap of faith and go all the way to a comprehensive budget plan right now. But there is some institutional inertia here which has to be overcome even though some of us are intrigued by it and would like to try it if possible. The big problem I personally see with respect to the Obey proposal is that it does require a leap of faith. And the membership will not do that on its own. It will require a great commitment from the leadership of both parties to make it work. The Speaker, the majority leader, and others will have to say, all right, gentlemen, ladies, let us try it, let us see if we can make it work.

And absent that, the Budget Committee, and the Rules Committee, and other committees are not going to be able to make it work.

Finally, let me say, Mr. Bolling, that I personally agree with you about Budget Committee membership. We have not come to any conclusions about this matter as a task force, but I believe that, especially if you go to a comprehensive or Obey-type proposal, the Budget Committee must become a different kind of committee. If you have the Budget Committee putting forth not a resolution to be voted upon in the beginning of the session but a budget plan which various committees will have to respond to, you have got to have on that committee the chairman of Ways and Means, the chairmen of some of the big authorization committees, and the chairman of the Appropriations Committee. Because they have to get the commitment of the leadership and agreement among each other about the budget in order to make the process work. They will have to go back to their own committees and be responsive to that plan which they all had a big part in writing. And a Budget Committee made up of relatively junior members cannot make that kind of process work.

If we keep the same kind of process that we have now, however, the imperative for changing the makeup of the Budget Committee is a little less than if we have a comprehensive budget bill.

We appreciate your testimony, especially since I agree with most of it. It is good to have my own judgment ratified.

Mr. BOLLING. There is a good little group here, Mr. Chairman. There is no reason you cannot go to it and see if you cannot do it this year.

But if folks do not like it, they can stop it.

Mr. BEILENSON. We are going to try to get something through now, despite the other caveat that you hurled at us earlier.

Mr. BOLLING. Well, may I respond briefly?

Mr. BEILENSON. Of course.

Mr. BOLLING. I am perfectly delighted with what the chairman of the task force has said. It proves that I used good judgment in the very beginning.

Mr. BEILENSON. We thought so, sir, from the very beginning.

Mr. BOLLING. And I am delighted with your analysis, because I think that makes total sense. And more power to you if you can get something done this election year. I will love it.

Mr. BEILENSON. We very well may not be able to, but we will try, sir.

Mr. BOLLING. It is well worth the effort.

Mr. BEILENSON. Questions from other friends?

Mr. Derrick?

Mr. DERRICK. Mr. Bolling, I enjoyed your testimony. I am going to use the two paragraphs from your statement, in some other context because I think they could be applied to many things.

If I had my wishes, I would do away with the Budget Committee, and I would take the Ways and Means Committee and the Appropriations Committee and combine them into one committee, let them go to the floor with a budget revenues and expenditures at sometime during the year and give it priority until it was through. I mean we deal with nothing but that for that time. And I think that is the only way you are really going to get it to work right.

But not having my wish on that, something that concerns me—and I would like to speak to it for a moment or two—is the single resolution. I feel that if we go into that, that we may lose whatever discipline we now have with the two resolutions as far as the House is concerned. And it was pointed out this morning there are a lot of little games played between the first and the second budget resolution. But, you know, I think the reason those games may be played is because we are getting to some of the problems, and these games are intended to avoid it.

And what I am scared of is that there has been a group around here for a long time that feels that the Budget Committee can be made merely an accounting committee. And this single resolution worries me a little bit in that context. I would like you to speak to that.

Mr. BOLLING. That is essentially why I tried to emphasize both in my extemporaneous statement and in the committee statement that all the different forces with all the different views that we have in the institution have a right to desire some power. The fact that the individual got elected to Congress means that he sought a voice in the national power structure. So I do not think it is unnatural for people on legislative committees, strong and weak committees, or on the appropriations subcommittees to want to be part of the action.

And what we are talking to now really is the various things that come out of that, the various manifestations of the attempt by members and staff to see to it that their bailiwicks are not eliminated. That is really what we are talking about.

I think it is very important to try to come up with an approach that leans very hard on the need for this to be a national institution dealing with national problems. But also to be an institution which will see the smallest of the interest group's problems so they may be at least considered.

I think one of the reasons why the House is so important as an institution is that it is the one at the Federal level where you can actually expect someone to be aware of the smallest of the interest groups. I cannot think how a Senator could possibly be aware. Obviously a President cannot. And we must not lose that capacity, which makes me very tolerant of the people who fight for their little tiny piece of interest. Now, how you protect that and how that relates to the question of a double resolution or a single resolution or a more comprehensive bill is extraordinarily difficult to determine. And I am not ducking out when I say I do not really know.

Every time I have been involved in a major piece of national legislation, the outcome has been different than the theory that I or others have had in the beginning. Mr. Beilenson has made it clear that he wants you to try to do something this year. It seems to me that you have to sort of feel your way into what might be the next step.

I do not know the answer to the question you raise. I had a real crisis of conscience, if you can put it in that fancy way, when I had to make a decision as the chairman of the Rules Committee on how to deal with the Republican initiative back in 1981. It was very clear that you could make a technical argument against reconciliation at the first stage even though we had done it the year before. You could have very easily argued the letter of the law and refused in every way including scheduling, to allow that initiative to go to the floor.

I am just not wise enough to predict which way is going to do better. But what I think you need to do—all of you, with all of the different skills you have, and all of the different relations you have with all the different factions—is to try to come up with something that will be satisfying and also relatively safe in terms of not putting too much power into few hands.

Mr. DERRICK. Thank you.

I have probably a dozen other questions I would like to ask you, but I would just say this: I believe in the budget process, I believe it is the finest thing that has happened to this institution, as far as I can tell, in decades. And what I want to make sure is that whatever we do, whatever we come out with, that we do not come out in a weakened position as far as accomplishing those things that we want to accomplish, or that you wanted to accomplish back in 1974 to begin with—and I have to believe that at the top of that list was a discipline of the Congress. And the way to do that is to discipline it by showing the people back home exactly what is going on.

Mr. BOLLING. Well, I agree with that. And let me add one more thing. There seems to be an enormous problem with the concept of this being a leadership committee. It has been fought step by step in the House for reasons that I could explain to you relatively easily.

On our side we had to accept a temporary chairmanship, temporary membership, or we were not going to have a law. I always thought that was ridiculous because it made our people, our side, weaker to begin with than the Senate people. And it also made the committee itself weaker in its dealings with other committees of the House of Representatives. That is one of the first humps we have to get over somehow; this has got to be a leadership committee.

The only way I know to make a committee into a leadership committee is to make it directly responsible to the leadership. And that is why I propose what I do—which is as far out as you can get, I guess.

I think that is one thing that must be cleared up in time. And I was delighted to hear your chairman make it very clear that he agreed with that entirely.

Mr. DERRICK. Thank you very much.

Mr. BEILENSON. Mr. Gregg?

Mr. GREGG. No questions.

Mr. BEILENSON. Mr. Bonior?

Mr. BONIOR. I just want to say that it is nice to see you again, and I enjoyed your perceptive and timely comments.

I would like to pursue something you just mentioned, and that is the leadership of the Budget Committee and its relationship to the leadership.

How would you mold that? Would it be on an indicated basis like it is now, appoint by the leadership and rotated maybe after two terms, or would it be a permanent committee appointed by the leadership as the Rules Committee is now appointed, or would you have a situation where you could serve on more than one committee?

Mr. BOLLING. Well, the way in which the Rules Committee is appointed is not an accident. It is a delayed approach. The Speaker only has a veto power once every 2 years when the new Congress convenes. He has a threat.

In reality, it is highly unlikely that the Speaker is going to use that veto power unless he is faced with somebody who is a kind of obstructionist that used to control this committee when the minority with a small number of the majority were able to control the committee systems completely.

So you are talking about a much less drastic step than straight appointment, which implies that a person can take back that appointment at any time. We are talking about a rather specific narrowly stated veto power. And I do not understand why that is so hard for people to take.

I honestly never felt—I do not know how any of you felt, but I never felt—that I was diminished simply because it was very clear that I was subject to the top leader's veto. Now, the top leader is elected and re-elected not so much by the House, but by the majority party (analogously the minority leader). He is the one singular person who is ratified by the Congress as a whole.

It seems to me entirely legitimate and very clear. I do not see why people get so upset about the notion that they do not get to be a chairman because I have seen chairmen that were deaf, dumb and blind in all senses of those words. And they were not helpful to the institution.

It seems to me that this is the key thing that should be overcome. You have got to have a committee that is a permanent committee but subject to veto by the leadership that is elected by the establishment.

Mr. BONIOR. Thank you.

In speaking of your earlier comment about the earlier doings of this committee, I trust that you have noted the obstructionist you may have been referring to is no longer present in this room.

Mr. BOLLING. I enjoyed that. I enjoyed the presence of the other one.

Mr. BEILENSON. Mr. Panetta?

Mr. PANETTA. Thank you, Mr. Chairman.

And welcome, it is nice to have you here and present your thoughts. Let me just ask a couple of questions.

On the Speaker appointing the members of the Budget Committee, I do not disagree with that because I think that this budget

process does not work unless you have the support, the guidance and the help of the Speaker. That is what we have seen. Unless they are working hand to hand, the Budget Committee does not work.

But institutionally within the House, we have always had the problem of this relationship between authorizing Appropriations, Budget Committee to maintaining the quality among those three levels so that you were not presumed to be a supercommittee in that process, but one that could work with the authorizing chairman and the Appropriations chairman on an equal basis.

Essentially what you would have to be doing is to literally take the Budget Committee and then rise above the others in terms of its position and its power. And that is, I assume, something you would——

Mr. BOLLING. You know, I would be perfectly happy to have the chairman of each committee exclusively nominated. My reading of the bad old days is that it is probably newspapers talking. Cannon and Reid—coincidentally all Republicans—were leaders of factions who became dominant in the party. And the party became dominant in the institution, and the factional leader was doing what his majority wanted him to do until he lost the majority. And as soon as that happened, he lost his power.

I do not think there has ever been a time when there was a dictator in this institution, because there is no way you can have a dictator in a free institution where people are not subject to being shot at.

Mr. PANETTA. The other question I want to ask you, because you mentioned your support for the line-item veto, and I will present you with—I think the argument that is made against the line-item veto. Obviously there is institutional argument about whether power ought to remain here on Capitol Hill so that the Congress makes that determination as opposed to giving the President that power, that is one argument. The other one is that even in terms of giving the line-item veto to the President, it would only be used against a small portion of the budget. It could not be exercised against entitlements, for example. Interest payments on the public debt cannot be touched and most of defense spending is locked in.

So that makes almost 80 percent of the Federal budget that cannot be touched by the line-item veto. That leaves discretionary programs, which have been hacked to hell over the last few years, as the only areas on which a President could direct his line-item veto. There is concern that it simply does not do the job if what you are trying to do is give the President a weapon to reduce the deficit. I would be interested in your response to that.

Mr. BOLLING. Well, I would think that it would be possible to arrange language in which a line-item veto would actually apply to a good deal of defense. I don't know what it would take. I am not a technician in that sense, but I cannot believe that we have not got the ability to make sure that we do not continue the kind of ridiculous things that we have done over time in terms of the total overall expense of a particular weapons system. I do not think we have to have a situation in which once we get something started, we are incapable of stopping it.

I would think my friend over here next to you would have a number of ideas on how he could deal with that. And I think it ought to be clear that whatever we do does apply to defense. Because I think it is demonstrable that a monumental amount of waste occurs in that area.

So I would hate to see it out from under some kind of Presidential line-item-veto. I cannot conceive of there not being a way to include it.

Mr. BEILENSON. If the gentleman would yield, I think, from my quick reading of that little report drafted by the Budget Committee's staff, that there is a fraction of the defense budget which would be susceptible to line-item veto. I think about half of the current defense budget could be addressed by the President if he had line-item veto.

Mr. BOLLING. But I would think if you decided to go to a line-item veto, you would want the President to have a great deal of discretion in his ability to move in and make the line item. After all, there is a major protection lever: by 2 to 1 you can override it.

And I do not think that is an unhealthy kind of situation. There are situations where you have a faction that has a one-third plus 1, and that is enough. But usually when the Congress is usually upset about something, it can override a veto.

Mr. BEILENSON. We may have a good President again. Who knows.

Mr. Aspin?

Mr. ASPIN. No questions, Mr. Chairman.

Mr. BEILENSON. Mr. Gephardt?

Mr. GEPHARDT. I am sorry, Mr. Bolling, that I have not spent enough time with this testimony. But I quickly read through it and—correct me if I am wrong—you are saying that the comprehensive approach advocated by Mr. Obey and others is less than the optimal change that you——

Mr. BOLLING. The testimony says that, but I weaseled out on that because I wanted to. That did not represent my view.

I put the testimony in the record. What I in effect said was that I could see some great advantages, particularly to the public if we were capable of dealing with the more comprehensive approaches that Mr. Obey has. I was assured by the chairman as he spoke in response to some of my comments that at the very least you were going to go forward and try to make the lesser step. And that is about where I find myself.

I like the Obey approach because I think it would be much clearer to the American people what we were doing here. And I like the other approach because it may be the first step on the way to a more comprehensive approach.

Mr. GEPHARDT. I fully agree with the comment that you made a couple of times that political will is more important than mechanics. Do you have any idea as to how political will is created in the situation where we have the President in one party and everyone, I think, being justifiably concerned that if they step out on this issue, that they will be blindsighted politically. I mean that is, as you know, the bottom line problem we face.

Mr. BOLLING. I understand that, and I think I am going to give you an illustration that you are familiar with. And I think it makes sense even in a Presidential year.

As my friend may remember, I was rather upset by what happened in 1981, probably more upset than most. And I determined that I was going to try to do what I could to see to it that in the next year we would recover some of the ground that we lost, in particular in taxes. I did not have any great hopes that we were going to do it in a more moderate approach to defense or greater humanity for the weak. But I did think there was some way to do something in taxes.

And I watched in fascination when a group formed—a rather unusual group consisting of some very highly placed Republicans in the Senate, followed by some other Republicans and by some Democrats who pretended not to notice over in the Senate. And then I watched as a great many people on our Ways and Means Committee began to see some hope of recovering a certain amount. And in the end, a President who had sworn over and over again that he would never allow any major change in the tax system took to his bosom a bill that had been designed and passed by the Congress in a very bipartisan way which I believe involved about $90 billion over a 3-year period. The President was in fact compelled by congressional action by his party. The key votes on the Democratic side were in the U.S. House of Representatives.

That is my view of how you get the kind of political will that gets something done. And I think that the chairman is exactly right in what he says about what might happen if we move ahead on an improvement in the budget process. It might be possible to put it together not surreptitiously but in a way that did not make any particular group guilty of this or that, but put together the best element of the two institutions on the Hill and produced a result. And I had enough experience with the Senate people in the negotiation that took place in 1982 and in what the President called the Gang of 17, to have great faith in that kind of thing. You do not have to say everything as you do it. I hope I make that clear.

Mr. GEPHARDT. You did as usual. Thank you very much for being here.

Mr. BEILENSON. Let me again thank you very much, Mr. Bolling, and express to you from all of us what a great pleasure it has been to see you again and to have you back here talking with us. We appreciate your testimony. We will take it into consideration, and a good many parts of it we will take very seriously, as I said at the outset. We are going to try to push ahead and see if we can get something done this year. If that does not work, it does not. Then we will have to refer to another strategy.

Again, thank you for getting this reform process started 2 years ago by constituting us, the task force. I hope we come up with something that is worthy of you. If not, we do not want to hear about it——

Mr. BOLLING. I am sure you will do well.

I am very grateful to be invited.

Mr. BEILENSON. Thank you very much, sir.

We are adjourned until we meet again in a couple of weeks.

[The following statements were received for the record:]

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U.S. House of Representatives
Committee on the District of Columbia
ESTABLISHED 27 JANUARY 1808
Room 310, Longworth House Office Building
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February 8, 1984

Honorable Anthony Beilenson
Chairman
Budget Task Force
Committee on Rules
U.S. House of Representatives
H-312, U.S. Capitol

Dear Mr. Chairman:

Thank you for your invitation to testify before the Task Force hearings on the two budget process proposals. My comments on the two proposals are brief and as such I will simply present them in writing.

Both proposals focus on the budget/appropriations link. There is little mention of the substantive policy concerns of the authorizing committees.

It seems that the purpose of the first proposal is to get the authorizing committees to speed up their reporting process. Simply advancing the required reporting dates might achieve this for simple reauthorizations of non-controversial existing programs. In areas where conflict exists or innovation is desired, however, an expedited time schedule might unduly constrain the authorizing committees.

In principle, I support the Obey binding revenue/spending bill idea. I think it is important for Congress to have a binding deficit plan, rather than the present situation where spending reductions are carried out, but the anticipated revenue increases are neglected. Implementation, however, of the Obey idea of one bill for the whole budget/tax/appropriation/reconciliation process may be difficult.

Thank you for offering me the opportunity to state my views.

Sincerely,

Ronald V. Dellums

Ronald V. Dellums
Chairman
House District Committee

RVD/dl

February 8, 1984

STATEMENT OF SENATOR PETE V. DOMENICI
on the
PROPOSALS TO IMPROVE THE CONGRESSIONAL BUDGET PROCESS
prepared by the
HOUSE RULES COMMITTEE TASK FORCE ON THE BUDGET PROCESS

I appreciate the opportunity to comment on the proposals of the House Task Force on the Budget Process, and I congratulate the Task Force on its efforts to improve the budget process.

I support many of the concepts outlined in the "single budget resolution" approach. However, I strongly disagree with the "comprehensive budget bill" approach.

Briefly, my objections to the comprehensive budget bill approach are these:

- First, the strength of the existing budget process--indeed, its basic rationale--is that the Congress as a whole establishes in advance a framework for committees to follow in their subsequent individual taxing and spending decisions. These congressionally approved broad parameters for subsequent individual actions would be lost under the "comprehensive budget bill" approach.

- Second, including the "budget plan" in the same bill as the spending and revenue legislation would likely mean that the budget plan totals would simply be the sum total of the individual taxing and spending actions rather than a guide within which those actions must fit. This is exactly what the congressional budget process was designed to avoid.

- Third, it would be a mistake to eliminate the section 311 point of order against subsequent legislation. Requiring a new budget plan for subsequent legislation would remove the incentive to stick to a plan for the fiscal year and would likely result in adjustments in the plan to accommodate these individual bills.

The "single budget resolution" approach, on the other hand, contains many reform features which are consistent with my thinking on the budget process. Many of these features currently exist in practice. As I stated during my testimony before the Task Force on September 29, 1982, it is desirable to condense the schedule of the budget process so that the Congress can operate more efficiently. We must make every effort to ensure that the deadlines of the budget process are reasonable and enforceable.

It is also desirable to institute points of order against the consideration of legislation which breaches a committee's allocation. Tighter control such as this will help encourage the Congress to abide by the goals set in the annual budget resolution. Points of order only at the aggregate level have not been sufficient.

I have consistently advocated the expansion of the coverage of the budget process. Control over off-budget federal activities and federal credit activity is essential to sound budgeting practices. I continue to believe that all elements of federal spending and credit activity must be accounted for if we are to have a meaningful budget process.

These and other aspects of the "single budget resolution" approach present a viable starting point for discussion of the ways in which the process can be improved. Many of the Task Force's suggestions appear to be codifications of current practice. Others deal primarily with procedures in the House of Representatives and therefore do not have a direct impact in the Senate.

I would like to continue with a few comments on those elements of the "single budget resolution" approach with which we disagree or on which we have questions. In all other cases, we generally agree with the recommendations.

January 3 convening date for Congress. While we do not disagree with this recommendation, it may be difficult to achieve in years when the Congress has remained in session late in the previous year.

CBO report on expiring legislation. We agree that such a report would be useful at an early date, but the first Monday after January 3 may be difficult to achieve in years in which Congress has remained in session late in the previous year. Past experience has shown that CBO may need until early February to compile this report when the Congress remains in session late in the previous year.

President's budget submission date. The recommendation for submission of the President's budget to Congress on the first Monday after January 3 is not feasible unless Congress actually convenes on January 3 and the state of the union message is delivered during the first week of the session. In years when Congress remains in session late in the previous year, it may be difficult for the President to complete his budget preparation on this schedule even if Congress convenes on January 3. Nevertheless, the recommendation is a desirable goal and should be pursued, particularly in years in which the Congress has adjourned early in the previous year.

Submission of budget back-up materials and proposed legislation. The goal of submitting this material two weeks after the budget is transmitted is highly desirable but very likely impossible in the case of proposed legislation. It would take a very strong commitment by the President, and even then it might prove impossible given all the details that need to be settled before legislation is drafted.

Reporting of multi-year authorizations. We agree that committees should be urged to report multi-year authorizations, but the committees will not be able to do so (or will have to report undeveloped authorizations for the out-years) unless the Executive Branch cooperates by submitting meaningful out-year authorization requests. In the past, this has proven difficult to achieve in the case of certain programs.

Elimination of authorizing reporting deadline. We disagree with this recommendation. While the monthly schedule announcements in the House would be a help in speeding up authorizations, maintaining the May 15 deadline would, in our judgment, be desirable to help establish discipline.

Credit coverage as part of the budget resolution. We agree with the recommendation that credit activities be subject to the same controls as spending through the appropriations process, including the committee 302(a) allocation controls recommended in the report. However, we also believe Congress cannot control federal credit activity through the budget process without establishing impoundment control procedures for direct loan authority and loan guarantee authority.

Changes in tax expenditures as part of the budget resolution and reconciliation. We disagree with this recommendation. It would cause the budget process to become involved in matters within the jurisdiction of the tax-writing committees. By so doing, it would alter the balance between overall guidelines and specific actions that was carefully worked out in the Budget Act. An alternative that might be considered is including in the reported budget resolution a non-binding target for changes in tax expenditures to inform the Senate or House of the Budget Committees' views on this subject, which could then be considered and adopted as the views of the Congress. Tax expenditure targets should not be included in reconciliation instructions unless the tax writing committees, through advance consultation, agree that such instructions would, in specific instances, help them to achieve their reconciliation targets.

Definition of baseline. We disagree with the recommendation to further define the baseline in the law. The existing Budget Act contains a definition of "current services" that we believe is sufficient for developing baselines for budget resolutions with the advantage of leaving further details to be worked out as necessary during annual budget resolution deliberations. In the Senate we have not experienced the great amount of confusion that apparently has occurred in the House. We believe any confusion is best overcome by means other than changing the law.

Committee allocation controls on spending. As noted, we agree with the recommendation to establish points of order when committee 302(a) allocations are breached. We strongly disagree, however, with the removal of outlays from the 302(a) allocations. While outlays are not directly appropriated by the Congress, we believe it is important to include them in the crosswalks because in many cases the level of outlays is directly affected by the mix of programs that make up the appropriations of budget authority. If the level of outlays in the congressional budget plan is to be adhered to, it is essential that the outlay element of the crosswalks be retained. We also are concerned that the definition of "discretionary action" may introduce confusion into the crosswalk process and may cause important elements of the total budget plan to be excluded. For example, it is not clear to us that a reduction in existing spending authority in a congressional budget plan would be included in the definition. On balance, we believe present crosswalk concepts are sufficient and should be retained.

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Prohibition of reconciliation of authorizations. We strongly disagree with this recommendation for the reasons stated in my testimony before the Beilenson Task Force in 1982. While reconciliation of authorizations may not be necessary each year, it is an important tool for budget control that should not be scuttled.

New financing mechanisms that escape annual review. We agree with the concept that Congress should have the opportunity to review all federal programs annually. We believe, however, that further study is required to determine the proper means of annual control. Therefore, it strikes us that establishing points of order against any measure containing indirect financing mechanisms would be premature until the question is further sorted out. A good starting point would be the GAO inventory of indirect financing mechanisms in current law that is proposed in the draft legislation. When such an inventory is available, we would be in a position to consider the best means of establishing control over programs of this type.

CBO conference report cost estimates. We believe that CBO cost estimates for conference reports are an excellent idea, but procedures will have to be worked out to assure that CBO has time to develop good estimates between the time a conference committee completes its work and the time the conference report is taken up on the floor.

Budget resolution updates. We believe that if a budget resolution needs to be updated it should be accomplished by the normal means for approving a budget resolution. We do not support the approach whereby the Budget Committees would file updates which would stand unless overturned by the Congress. If an update includes no policy changes, it is unnecessary because we can keep score on the same basis as the existing budget resolution; also, we should not waste the time of either the Budget Committees or the full Congress simply to "clean up" non-policy technical changes. If a change of policy is indicated, it should be subjected to the regular process in both Houses.

Application of reconciliation instructions and crosswalks. We do not understand the rationale for permitting reconciliation instructions and committee allocations to apply for one year or three years, but not for two years. In the Senate, we currently apply reconciliation instructions to one, two, or three years depending on the particular circumstances and we would therefore oppose any attempt to restrict the applicaton of reconciliation. In the case of crosswalks, it is obvious that three-year allocations to the Appropriations Committees would not be possible. We would like to see greater definition of multi-year crosswalks before this provision is implemented.

Section 303(b) exception. We assume that the new language in this section is designed to clarify the operation of the secton 303(b) exception. However, we believe that this new language would have the effect of altering the operation of the exception.

For example, after adoption of the first concurrent resolution for FY 1985 the "fiscal year to which the concurrent resolution applies" under the existing language of section 303(b)(1) will be the upcoming fiscal year, i.e. FY 1986. Thus, during this summer, consideration of new budget authority for FY 1986 would not be in order, since the exception would apply only to FY 1987 and succeeding fiscal years. However, under the proposed language of section 303(b)(1), consideration of a bill this summer providing for new budget authority in FY 1986 would be in order since FY 1986 would be the "second fiscal year following the fiscal year (1984) in which the bill. . . is to be considered. . . ."

In sum, the proposed language would alter the operation of the section 303(b) exception from the time of the adoption of the first concurrent resolution until October 1 of each year.

* * * *

In closing, I would like to thank the Task Force again for this opportunity to comment on these proposals. In looking at the problems we face in our efforts to control the federal deficit, I think we can all agree that we must look not only at the substance of each year's budget, but also at possible changes in the structure of the budget process. I continue to have some concerns about process issues which have not been addressed in this draft legislation, and I give you my pledge that I will work with you to resolve these concerns to the ultimate benefit of the process. I welcome the interest the Task Force has shown in investigating improvements in the process, and I look forward to hearing of your progress with these proposals.

Statement of
The Honorable John D. Dingell
Chairman, Committee on Energy and Commerce
before the
Committee on Rules Task Force on the Budget Process
February 9, 1984

Mr. Chairman, Members of the Task Force. I appreciate this opportunity to share my views, and those of Chairmen Ford, Howard and Perkins, with you.

The Task Force has before it two proposals to change the Congressional budget process. In my view, neither will accomplish budget control. The proposal for a single binding budget resolution would be a step toward budget chaos. The proposal for an omnibus budget has some unworkable provisions, but might possibly form the basis for evolving a workable system.

The Budget Act of 1974 was a first, important, and necessary step in gaining control of the Federal budget. Although it does not address important areas like loan guarantees and tax expenditures, it has made Members aware of the total Federal spending commitment and the impacts of our actions.

The Act has two major failings, however. First, as we are all too aware, the Act was not designed with political muscle. The essence of the Act is the budget resolutions: Promises Congress makes to itself; promises that we will control spending sometime in the future. It is much like promising yourself to lose weight or stop smoking next week: The promise is only as good as the will to keep it.

Budget resolutions do not bind Members on appropriations votes. The Act can be used, as it has been by the current Administration, to create a facade that budgeting is taking place while putting no restrictions on Federal spending. As a result, the Administration, with consent of Congress, has had the luxury of preaching "good budgeting" while engaging in spending habits which will bankrupt the country.

The second major problem with the Act is duplication of effort: duplication takes place when the Budget Committee establishes spending levels for programs when creating budget resolutions; duplication takes place in forcing the House and Senate to adopt budget resolutions. Both functions can and should be carried out within the authorizing and appropriating process. The budget process has become more than the advisory function it was originally intended to be. It has become another layer of legislation, creating confusion, consuming time, and creating distractions from the real funding decisions which must be made.

What we have done over the past decade is to create a budget process that is so complex as to be incomprehensible to almost everyone. Most of the Members do not understand it beyond a superficial level. The press does not understand it. The business community does not understand it. The financial community does not understand it. And most important of all, the public does not understand it.

We have written a prescription for a process which we cannot control. That we do not control it is evidenced by the growth of so-called off budget spending, the growth of tax expenditures and the dramatic growth of the Federal deficit.

The only way to regain control of the budget is to change the Act so the public can understand the budget process.

The task force has before it two proposals - a single binding budget resolution and an omnibus budget. Both have problems, but I firmly believe that adoption of this single binding budget resolution proposal would be a major step away from real budgetary control. It takes an act which offers only the facade of control and assumes that by adding a few more procedural hurdles we can legislate political will. Somehow the changes are supposed to make our annual promise to ourselves more binding. It is like going from "I will quit smoking next week" to "I <u>really</u> will quit smoking next week."

Adoption of this single binding resolution would accomplish several things, none of them constructive. It would tie the hands of the leadership of both parties to move meaningful budget legislation. It would give procedural tools to small coalitions to obstruct House action if they disagree with a particular budget or even program line items within a budget. And it would make the budget process even more complex and even more difficult for everybody to understand.

If you think we have difficulty controlling the Federal budget now, you should be depressed by the prospect of this single binding resolution.

If we are serious about controlling the Federal budget, I have more hope for an omnibus approach. Let me be clear: the version before you is not the omnibus budget I have in mind. There are features which are not included but should be and there are some major procedural issues which need further discussion. But I believe an omnibus budget process, if structured properly, could lead to real budget control. Why? The public will be able to understand Congressional budgetary action.

The objective of an omnibus budget would be to eliminate promises for future action, eliminate duplicative votes on budgetary matters, and make every budget vote count. Under the omnibus approach, votes would equal dollars. The press and the public would be able to add up the effect of any Member's actions and know which programs he supports and how big a deficit he supports.

That is budget control.

There is one additional point I would like to make. Neither of the proposals before you addresses the membership of the Budget Committee. It is probably the single most important issue to the authorizing committees. As it has evolved, the budget process affects the authorizing committees in major ways, yet we are not represented well on the Budget Committee. If the process is to work, the authorizing committees must be central to the budget process, not outsiders struggling to get cooperation from the Budget Committee.

This is an election year. Major, thoughtful and constructive changes in the budget process probably cannot be accomplished. And given the record of the current Administration in the budget area, I am afraid to think what we might end up with if we pushed for major reforms. The change in Committee membership, however, would be a realistic goal this Task Force could recommend and enact with wide support in the House.

Thank you for your consideration.

JAMES J. HOWARD, N.J., CHAIRMAN

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March 9, 1984

Hon. Anthony C. Beilenson, Chairman
Task Force on the Budget Process
Committee on Rules
The Capitol, H-312
Washington, D. C. 20515

Dear Mr. Chairman:

An important issue to be considered in the deliberations now underway on revising the Congressional Budget Process is the treatment of self-financing trust fund transactions and balances under the Unified Budget. The current practice of lumping trust funds with general funds in the Unified Budget, thus creating an illusionary balance, does serious injury to both the Budget process and those programs financed by trust funds.

Attached is a statement which covers this matter in some detail, and I request that it be incorporated in the record of the February 9 hearings held by the Task Force on the subject of Budget revisions.

I congratulate the Task Force for holding hearings on this important matter and appreciate the opportunity to submit my views for the record.

Sincerely,

Gene Snyder

Gene Snyder

Enclosure
GS/nkl

TESTIMONY OF

HONORABLE GENE SNYDER

REPRESENTATIVE, FOURTH CONGRESSIONAL DISTRICT OF KENTUCKY

RANKING MINORITY MEMBER, COMMITTEE ON PUBLIC WORKS

AND TRANSPORTATION

U. S. HOUSE OF REPRESENTATIVES

BEFORE THE

RULES COMMITTEE TASK FORCE ON THE BUDGET PROCESS

ON

FEBRUARY 9, 1984

I thank the distinguished Chairman and Members of the Rules Committee's Task Force on the Budget Process for this opportunity to comment on the proposals now under consideration.

Any discussion of legislation embodying budgetary reform should, in my judgment, include as a major consideration the preservation of the integrity of self-financing trust fund transactions and balances.

These deficit-free, user-supported trust funds have, since their inception, stood the test of time and proven to be a most efficient, equitable and fiscally responsible mechanism for the funding of public works investment in capital projects.

The Federal-Aid Highway Program and the Airport Development Assistance Program are prime examples of the worthiness of trust fund financing, and the economic implications of keeping these programs on a sound footing are enormous.

Our ability as a Nation to sustain long-term economic growth depends to a great extent on our willingness to make certain that the necessary capital is available to improve the vast interstate transportation network that is so vital to our economy. That task is by no means totally a federal responsibility, but the Federal Government certainly continues to have a major role to play.

Unfortunately, the Federal Government has for a number of years and during several Presidential Administrations deliberately -- and as a part of a calculated budgetary strategy -- underfunded trust fund-supported transportation programs. The consequences have been damaging to both the budget process and the programs themselves.

The "strategy" has been to treat trust fund-backed

transportation programs, especially the highway and airport development programs, as if they were financed by the deficit-ridden General Fund. Since these deficit-proof trust funds usually contain surpluses, the practice has been to inflate the cash balance in the trust funds by not spending the money to meet program needs, thereby offsetting the real deficit of the General Fund in the so-called Unified Budget.

In other words, where the Unified Budget balance is concerned, things are not at all what they seem. Because of this kind of budget gimmickry, the size of the General Fund deficit is understated, and the entire Unified Budget concept is rendered fraudulent on its face.

Such a policy becomes fundamentally wrong from the very moment trust fund capital programs are not recognized as inherently different from those financed through the General Fund.

Trust fund programs are unique because by law they can have no deficits. Money for the programs can only be spent if existing taxes are on the books. They have never contributed one penny to the federal deficit, and what could be more unique than that? In fact, if the entire federal budget were set up like these trust funds, there would be no deficit.

These programs rely on dedicated sources of revenue which cannot be used for any other purpose, and normally the programs financed by trust funds are not supported by any other source of revenue. They are supported from taxes levied on the users -- the beneficiaries -- of the systems, and not the public at large. Highway and airport user taxes include those levied on gasoline, diesel and special fuels, tires and tubes, heavy duty trucks, aviation fuel, domestic airline tickets, and air cargo.

With total disregard for the uniqueness and integrity of these self-financing trust funds, public policy continues to sanction both the collection of billions of dollars in taxes from the users of our highways and airports for the stated purpose of expanding or repairing those facilities and the refusal to spend those dollars for their specified purpose. That amounts to breaking faith with the highway and airport users in this country. They are making a considerable investment in these transportation systems and not getting their fair share in return.

In a very real sense, the failure to make good on the promise made when user taxes were initially imposed and subsequently increased severely jeopardizes the integrity of the Federal Government.

This flawed Budget policy has been a problem in many Administrations. Using inflated trust fund balances to paint a rosy, if misleading picture of General Fund deficits has always, it seems, struck the fancy of Budget bureaucrats.

Its appeal as a politically attractive option has been irresistible for both Republican and Democrat Administrations. Since any Administration is glad to show, on paper at least, a lower deficit, all have succumbed to the temptation to engage in the practice.

A case in point has been the treatment accorded the Airport Improvement (AIP) and Facilities and Equipment (F&E) programs, the revenues for which are derived exclusively from the Airport and Airway Trust Fund, which consists of taxes imposed on aviation users.

Largely at the urging of the Department of Transportation, which cited the need for higher aviation taxes to support the

proposed 20-year modernization of our Nation's air traffic control system, Congress passed the Airport and Airway Improvement Act (AAIA) as part of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). The AAIA not only provided for multi-year funding of the Trust Fund programs through FY 1987, it also substantially raised the taxes that finance these programs. Most of that revenue comes from a tax on domestic airline tickets, but also from taxes imposed on air cargo, international departures, general aviation fuel, and airplane tires and tubes.

Despite a combined 1984 authorization of $2.4 billion for AIP and F&E, the Administration recommended in its budget submission last year that only $1.7 billion be spent for these programs. Later, during the appropriations process, the Department of Transportation agreed to support still lower levels, with the net result being a combined appropriation in FY 1984 of only $1.55 billion.

Although this shortfall in spending adversely affected both of these important programs, its potential effect on the FAA's plans to modernize the Air Traffic Control System was particularly significant. Clearly, if this trend is allowed to continue, substantial delays in implementing this needed modernization plan will undoubtedly occur, both to the detriment of the aviation community and the traveling public.

As a consequence of this game-playing with the Trust Fund, the unobligated Trust Fund balance at the close of F.Y. 1984, assuming no further appropriations are made out of current fiscal year funds, is projected to be approximately $3.4 billion. That is a clearly excessive accumulation of funds which could and should be used to meet airport and airway program needs.

However, President Reagan's F.Y. 1985 Budget recommendations do offer encouragement for better times ahead for Aviation Trust Fund programs. In fact, the Administration not only has called for full funding of aviation programs in the coming fiscal year, but in the case of the F&E program, has actually requested the recoupment of $250 million of those authorizations carried over from F.Y. 1984.

Other trust fund-supported public works and transportation capital programs also have sizable balances at present. The Highway Trust Fund currently has a $9.8 billion balance, although the President's Budget recommends close to full funding for highway and transit programs in F.Y. 1985.

In that regard, the Congressional Budget Office projects a decline in the Highway Trust Fund's account balance, although the mass transit account is capable of sustaining more than the current level of authorizations.

The Inland Waterway Trust Fund expects a balance of $130 million by the end of Fiscal Year 1984; and the Hazardous Waste Trust Fund (Superfund), which drew considerable attention from President Reagan in his recent State of the Union Address, had a balance of almost $400 million by late last year. The President has also given the matter attention in his F.Y. 1985 Budget, calling for almost a 50% increase in Superfund funding.

Congress is concerned over the underfunding of public works programs due to the ill-advised strategy of maintaining clearly excessive trust fund balances.

In fact, in the case of the Aviation Trust Fund, we provided in the Airport and Airway Improvement Act that a penalty be imposed whenever the appropriation for the aviation capital

programs falls below the authorized levels.

In addition, two bills have been introduced to reduce aviation user taxes. Why, after all, should people who use the system pay higher taxes when those taxes are being used not for the purpose for which they were levied, but merely frozen in order to make the General Fund balance look smaller on paper?

To be sure, as I pointed out, things look better since President Reagan presented Congress with his F.Y. 1985 Budget, calling for substantial increases in funding from trust fund programs.

Still, it would be a mistake to broadly assume that the F.Y. 1985 funding picture signals the end of the problem. Trust fund revenues still must be spent for the purpose for which they were raised. The problem of underfunding existed before -- for many years -- and without corrective action, it could very well be there again sometime down the line.

Another example of treating trust fund dollars like all other federal funds is the all too common practice of imposing obligation limitations on contract authority programs financed by trust funds. Trust fund programs are being subjected to these limitations in appropriations even though they do not compete for revenues with other programs.

A principal effect of obligation limitations is to restrict these trust fund programs to lesser levels than they can sustain, reducing (on paper) the deficit in the Unified Budget.

This treatment of these trust fund-financed public works investment programs flies in the face of the recognition in the Congressional Budget and Impoundment Act of 1974 that the financing of the highway and aviation programs is provided by

trust fund revenues derived not from annual appropriations of general revenues, but under permanent law. It made contract authority for these programs exempt from the general requirement for action in Appropriations Acts.

However, while the Budget Act did recognize the uniqueness of certain trust funds, it did not prohibit limitations on contract authority financed by trust funds in Appropriations Acts. In the absence of an outright prohibition, the ADAP program has been subjected to obligation limitations in Appropriations Acts since its inception in 1970, and the highway program since 1975.

From a fiscal standpoint, lumping trust funds with general funds in the Unified Budget is self-defeating. Freezing the balances in trust funds for public works and transportation capital programs simply makes it possible for an even larger portion of the budget to be spent elsewhere. Whether the total spending targets are set by the Congress or the Administration, each increment of cut-back in self-financed programs permits a corresponding increase in general revenue programs.

The system actually encourages this alternative spending since trust fund balances are used as a source of borrowing to finance deficit spending for programs completely unrelated to the purposes for which the user tax revenues were raised.

The impact of this Budget manipulation on the affected programs is devastating. The user of our highways, for example, pays dearly for the deferral of needed highway work, both in terms of deteriorated roadways and in terms of the increased costs of doing the required work when it is finally done, as eventually it must be.

Many of those projects funded through the trust funds, such

as highway construction, require a long lead time from concept to completion. Meeting the multitude of federal requirements alone extends that time period. Once the funds are obligated for a project, it may be years before the project reaches the point where most of those funds will be expended. When that point is reached, however, the money, i.e., outlays must be there.

Consequently, to achieve a short-term hold-down of spending for a highway construction project -- as has unfortunately been the practice -- merely shifts the project and the budgetary problem being avoided to the out years, which could mean a period of time well down the road. The only thing that can be expected over the long term, therefore, is the certainty of paying more for the work to be done.

The higher cost is not caused solely by inflation, since in the case of physical facilities, the deterioration of structures often exceeds even the rate of inflation.

For example, the Federal Highway Administration estimates that a six-month delay can increase a project's cost three-fold. A resurfacing project, if delayed through one winter, can lead to deterioration necessitating complete reconstruction.

The time has come for some basic truth in budgeting. It is imperative, for all of the reasons I have outlined, that the integrity of trust fund transactions and balances be preserved. Preferably, this would be done by removing self-financed, deficit-proof trust funds from the Unified Budget. But, at a minimum, trust funds must be accounted for separately, and their activities must be reported on in a way which allows the identity and integrity of these trust funds to be preserved.

This is hardly a new proposal. The uniqueness of trust

fund capital programs and the need to preserve their integrity was recognized by the very Presidential Commission that recommended the inclusion of trust funds in the Unified Budget. It was also reflected in the Congressional Budget and Impoundment Control Act of 1974. Unfortunately, while the distinctions have been recognized, they have not been observed in practice.

The bottom line in this Uniform Budget charade is its destructive impact on our national transportation system. Deterioration of transportation is translated directly into losses in economy, efficiency, and energy.

Moreover, the traveling public will lose much of the mobility and convenience they have come to expect. Traveling Americans deserve the very best transportation system possible. After all, they paid for it.

In conclusion, I respectfully urge that the following recommendations be incorporated into both reform proposals now before this Committee:

(1) Self-financed, deficit-proof trust funds, such as the highway and aviation trust funds, should be removed from the Unified Budget, or, at a minimum, accounted for separately. This truth-in-budgeting proposal will prevent trust funds from being fraudulently used to offset the real deficit of the General Fund.

(2) Trust fund-supported transportation programs should not be underfunded; instead, they should be fully funded at levels which can be supported by the taxes being imposed on the users of the system. After all, by law these taxes cannot be used for any other purpose.

34-033 O—84——12

STATEMENT OF THE HONORABLE DAN ROSTENKOWSKI
CHAIRMAN, COMMITTEE ON WAYS AND MEANS
BEFORE THE TASK FORCE ON THE BUDGET PROCESS
FEBRUARY 24, 1984

Mr. Chairman, I welcome this opportunity to once again submit testimony to the Task Force on the Budget Process.

I wish to commend the Task Force on all the work that has been done in developing two alternative approaches to the budget process. Many provisions in both approaches represent an improvement over the current process.

Since my last testimony, the need for budget act reform has not diminished. With record deficits, Congress needs the ability to determine its priorities and have a procedure that brings spending and revenues into balance. Let me hasten to add that no budget process is going to provide the political will to make the tough decisions of raising revenue and reducing spending. That can only come from bipartisan actions of both parties in both Houses of the Congress working in tandem with the executive branch. However, a reformed budget process can aid in that task.

Before turning to a discussion of several aspects of the proposals which I believe are ill-advised, let me emphasize the many provisions which I believe improve the process.

Both approaches recognize that if reconciliation is to be used as a tool for reducing government spending, it must be implemented earlier in the year as part of the first (or a single) budget resolution. The approaches also recognize that if entitlement spending is to be reduced, three-year -- not one year -- reconciliation instructions are necessary. By their very nature, entitlements go directly to families and individuals. These families should not be hit with drastic changes in their incomes as a result of rushed legislation. Furthermore, many of the entitlement programs within the jurisdiction of the Committee on Ways and Means are joint federal and state programs. We need time to let the states make conforming legislative changes. Three year reconciliation instructions give the Committee time to phase in appropriate reforms in a reasonable and orderly manner.

Nevertheless, I must urge that this tool not be misused by the budget committees. There will be a huge temptation to build into the third year of the instruction large spending reductions and revenue increases. While these instructions would bring the deficits down and be tempting to vote for, they will not pass when the specifics of the legislation are examined.

Both approaches urge the adoption of common economic assumptions. If a fair and informed debate is to take place, this is the only way.

Similarily, avoiding line item debate is a must. The authorizing and appropriations debates afford the Congress ample opportunity to get into detailed questions. The budget process must remain a debate about broad priorities.

The focus on Committee targets in both approaches is an improvement. Committees who live within their targets should not be penalized as a result of other Committees exceeding their allocations. The elimination of the 15-day referral to the Appropriations Committee is also an improvement. However, given this emphasis on Committee totals, the required filing of the 302(b) reports should be repealed. The reports are more of an inconvenience than a serious enforcement mechanism. The ease with which they can currently be amended is a recognition of the flexibility Committees must have in allocating spending among their subcommittees.

Now, I wish to turn to several aspects of both approaches which should be changed or amended.

I would urge the Task Force to reconsider its accelerated timetable for the budget process. Frankly, I do not think it is realistic to expect the Congress to convene on January 3 and begin serious consideration of the budget. The organizing of the Congress itself can be a time consuming task. Furthermore, there could be a new President who would not have been sworn into office by January 3. The new President should be able to submit a budget which will be considered by the Congress. In addition, I believe that it is important for the Administration to have the opportunity for informal discussion with Members prior to the submission of the President's budget. Such discussions can be very helpful in assuring that the budget submitted to the Congress bears some relation to political reality. Current law, requiring the President to submit the budget 15 days after the Congress convenes, allows time for what can be very crucial consultations prior to the publication of the budget.

Under both approaches, the Committees must submit views and estimates to the Budget Committees by February 25. In many instances, the details of the Administration's legislative program are not known by that date. I would urge more, not less, time.

I note that the Task Force will recommend that program liberalizations not be included in a reconciliation bill. My experience has been that reaching agreement on spending reductions may be impossible without including program liberalizations in the final legislative product. This is true not only from a purely political perspective, but also from a programmatic perspective. Given the complexity of our spending programs, particularly entitlement programs, in many cases it will simply not make sense to only reduce spending by a particular amount. A spending reduction alone can have unintended effects on the population served by the program

that can only be avoided by liberalizing other aspects of the program. I believe that as long as the reconciliation instruction is met, program liberalizations should be allowed in a reconciliation bill. This flexibility is needed in order to produce a politically viable and substantively sound reconciliation bill.

I am also concerned about the proposal to limit the use of the suspension calendar procedure to those spending, revenue, or credit bills of less than $10 million. Currently, the rules of the Democratic Caucus prohibit the Speaker from scheduling a bill for consideration under suspension of the rules if the bill spends more than $100 million. I believe that the present system is adequate protection for the budget while preserving an important tool for the House leadership. The two-thirds vote required for passage of a bill under suspension of the rules is an effective deterrent against abuse of the procedure. The procedure has not been abused, but rather has allowed for the necessary consideration and swift passage of non-controversial legislation. I believe that the current procedure should be retained.

Consistent with my testimony before this Task Force in 1982, I remain strongly opposed to any proposals to include tax expenditures in the budget resolution. It seems to me that the proper concern of the budget process is with aggregate revenues, and not with the question of exactly how those revenues are to be raised.

There are several serious problems with any proposed limitation on tax expenditures. First, the aggregate amount of tax expenditures is a number with very little meaning. Unlike the budget aggregates - receipts and outlays - tax expenditures are not precisely observable. Budget receipts represent actual cash flows into the Treasury. These can be measured precisely after the close of a fiscal year. In contrast, tax expenditures represent revenues which are not collected for a variety of tax policy reasons. Therefore, estimates of their size are inherently inexact, requiring controversial assumptions about how individual taxpayers and the economy will respond to changes in the law.

There is also extensive controversy over exactly which tax provisions should be treated as tax expenditures. For example, the tax bill enacted in 1981 contained a new deduction for married couples designed to reduce the marriage tax penalty. Is this deduction a tax expenditure, or is it just one of several mechanisms in the tax law used to determine the relative tax burden of different taxpaying units?

Finally, a tax expenditure limitation could have a number of unintended effects. For example, suppose tax rates were reduced. Due to the interaction of such a rate reduction with other tax provisions, the rate reduction would reduce the size of those tax expenditures representing deductions or exclusions from income. Therefore, there would be room to

add new tax expenditures and still stay within the limitation -- clearly an undesirable result. The process of review of tax expenditures is undertaken by the Committee on Ways and Means regularly as part of its oversight responsibilities. Therefore, a tax expenditure limitation as part of the Congressional process is wholly unnecessary.

One of the key points which I made in my testimony in September 1982 was that the budget process should allow the affected committee sufficient time to engage in the policy-making process which involves both legislation and oversight. This conviction leads me to propose that we either move to a two-year budget cycle or move to only one budget resolution with delays in some of the current budget deadlines.

It appears to me that neither of the two proposals presented fully addresses my concerns. While I believe a single budget resolution could be an improvement over the current system, the proposal currently being considered actually decreases the amount of time available to committees to formulate their budget recommendations.

While I have some reservations concerning the single budget approach, I have numerous objections to the comprehensive budget approach. Chief among these is the fact that not only is the current budget timetable accelerated in a manner identical to the one resolution proposal, but also that the stakes involved in these hurried decisions are increased.

Under the comprehensive approach, committees would virtually be required to complete all of the year's legislation prior to May 15 when it must report its legislation to the Budget Committee.

While further legislation could be considered after May 15, such legislation would have to be reported to the Budget Committee. At this point the Budget Committee could report a revised budget plan to accompany this legislation. If you examine reported legislation from the Committee on Ways and Means within recent years, reporting by May 15 would be difficult in cases where legislation involves more than one committee (e.g., Railroad Retirement Program reforms, Black Lung legislation) or complex legislation (e.g., taxation of insurance companies). The comprehensive approach places too many barriers for reporting revenue entitlement spending legislation after May 15.

Such revisions conflict with the generally accepted definitions of a budget. A budget sets out a framework for spending and revenues, or rather sets targets for both of these. The reconciliation process insures that earlier decisions are in fact carried out through legislation.

The Unified Budget proposal suffers from the fact that these early decisions are made by the Members of the Committee on the Budget in their March 15 budget plan and not by the Full House of Representatives. It also suffers because a budget should not be changed with each subsequent enactment.

In short, the budget process should provide the affected committees and the full House the time necessary to reach reasoned decisions about budget goals and the desired means to achieve those goals. Once the goals have been defined, they should be enforced; but committees should remain free to report legislation that does not violate those goals whenever that legislation is ready. The budget process need not come into play at that point because it has already served its function of defining goals and helping to achieve them.

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United States Senate

COMMITTEE ON
RULES AND ADMINISTRATION
WASHINGTON, D.C. 20510
March 13, 1984

The Honorable Anthony C. Beilenson, Chairman
Task Force on the Budget Process
Committee on Rules
United States House of Representatives
Washington, D.C. 20515

Dear Tony:

Thank you for your invitation to testify on February 9 on recommendations to improve the congressional budget process. As you know, I was prevented from being there by matters then pending before this Committee, and I very much appreciate being able to submit a statement for the record.

As you know I am also very much concerned about improving the budget process and have introduced a bill, S. 12, which would change the present one-year process to a two-year process.

I think the approach in the two proposals before you and the approach in S.12 are both attempts to deal with the same problem and that it might be useful to explore some of the underlying differences. The problem is obvious enough; there isn't enough time in a single year to do all that the budget process requires in any kind of meaningful way. We know some things from experience now that were unknowable in 1974 when the budget process was established. For example, we know that the amount of time provided for consideration of a reconciliation bill (September 25 to October 1) is inadequate, and we know that the Budget Act did not provide effective means of dealing with the growth of the so-called entitlement programs.

The solutions that the Budget Committees have evolved over time are well known. Perhaps those solutions were the only ones that would have worked within the framework of the law as written; perhaps others would have worked as well. But in rewriting the law we need not limit ourselves to adopting changes that were crafted to be within the letter of the law as written. We can expand our horizons.

The difference between an approach that would reform the process by changing to one resolution and an approach that would reform the process by changing to two years is just such a difference in horizons. Moreover, there is an inherent rationality in a two resolution process that can be preserved by providing more time but which is lost by going to a single resolution. This becomes apparent by asking the simple question: "When should a single resolution occur?" Should it be early in a session, but, if so, how can Congress reach final decisions so early, before the appropriations, taxation, and authorizing committees have even begun their work? Does this not make a mockery of the rest of the legislative process? Should it occur then after the various committees have done their work, but if so, should not there be some

guidelines, some plan, within which their work is done? Yes, of course, a first resolution, a planning resolution, would be reasonable.

It seems to me the most needed reform is to provide additional and adequate time. Only a change to a biennial system would appear capable of doing this, and I hope your Task Force will give serious further attention to biennial budgeting.

Sincerely,

Wendell H. Ford
Ranking Minority Member

CHARLES McC. MATHIAS, JR., MD., CHAIRMAN
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COMMITTEE ON
RULES AND ADMINISTRATION
WASHINGTON, D.C. 20510

March 13, 1984

The Honorable Anthony C. Beilenson, Chairman
Task Force on the Budget Process
Committee on Rules
United States House of Representatives
Washington, D.C. 20515

Dear Tony:

Thank you for your invitation to testify on February 9 on recommendations to improve the congressional budget process. As you know, I was prevented from being there by matters then pending before this Committee, and I very much appreciate being able to submit a statement for the record.

I applaud your efforts to find ways to improve the budget process and I would expect that the actions of the Task Force would be useful contributions to the debate on this subject.

What stands out about both proposals on which you invited comment is that they would eliminate steps in the process as we now know it. One would do so by changing the process from a two-resolution (one planning and one final) to a one-resolution process. The one resolution would be, in effect, the final resolution and would be acted on one month earlier than the first resolution is now. Other related events are similarly advanced in time. While I fully understand the frustrations that underlie such proposals, I have serious doubts that a resolution put together in such a short time would retain its credibility, even if it were simply a planning resolution, as the first resolution is now.

The second recommendation would, in addition, combine all appropriations bills, revenue bills, and all other bills with spending, revenue, or credit impact into a single measure. While seemingly attractive as a way of reducing the number of items on the calendar, we have all observed how such "freight train" bills can be used to slip things through that would probably not pass if considered on their own merits, and I would doubt that the benefits of such an approach would compensate for such a defect.

In summary, I would say that I have always been a promoter of efficiency in all areas of government, and I think it is essential to bear in mind that what makes for efficiency in the executive branch of government, where one is dealing with laws already enacted, may not always make for efficiency in a legislature, whose unique role it is to decide what the law shall be. If legislative efficiency may be equated with the creation of a body of law that guides a society to be just and compassionate, growing and progressive but not unstable, and at peace with its neighbors, then legislative efficiency may be most effectively promoted by structures and procedures that ensure thorough consideration of issues rather than by those which would force hasty action.

As you consider these proposals for change, I urge you to give great weight to providing for the due deliberation that such an important matter as the Federal budget deserves.

Sincerely,

Charles McC. Mathias, Jr.
Chairman

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March 14, 1984

Honorable Anthony C. Beilenson
Chairman, Task Force on the Budget Process
Committee on Rules
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The purpose of this letter is to offer comments on proposed changes in the Congressional budget process. I want to compliment you and your task force for your efforts in developing proposals for reform of the budget process in the House. The experience of the past few years clearly demonstrates the need for change.

I would offer comments on three areas: budget schedule, section 302 allocations, and entitlement authority.

Schedule. The proposals would require the President to submit the budget to Congress 3 - 4 weeks earlier than is present practice--that is, on the first Monday after January 3. The proposals would provide that the Congress should complete all action on the budget 4 1/2 weeks earlier than the current schedule requires. When the current Congressional budget process was implemented in 1974, the President's budget was required three months earlier than previously submitted. We believe that the quality of estimates in the budget has been reduced to some extent because of the increased time between budget submission and budget execution. A still earlier submission of the President's budget, combined with a reduction in the time set aside for Congressional action, could increase the number of supplementals, reprogrammings, deferrals and rescissions considered by the Congress in order to address changing circumstances between the time of budget submission and budget execution. We are unconvinced that sufficient benefit would accrue to offset the cost of these additional actions.

Section 302 Allocations. More than half of all Federal spending is under the jurisdiction of the Appropriations Committee and allocated to the committee in the "section 302(a)" allocation. In the past, the Appropriations Committee has made significant changes to the functional distribution of spending, adopted by the House in the budget resolution, in its "section 302(b)" report.

Under the proposals for reform, the budget resolution would continue to include a functional distribution of the Federal budget, presumably because a major purpose of the budget resolution is to establish appropriate levels of spending for the various functions of government.

If the purpose of the budget resolution is, in fact, to establish firm levels of spending for the various functions of government, then it is suggested that a provision should be included providing that section 302(b) allocations must be consistent with the spending levels established for the various functions in the budget resolution.

Entitlement Authority. Entitlement authority is not presently defined in the Budget Act, and a definition is not included in the proposals. Legislation establishing rates of pay for military and civilian personnel has, at times, been considered as providing entitlement authority. However, this interpretation has not been consistent. It is understood that the Senate does not consider pay legislation as providing entitlement authority. It is recommended that entitlement authority be defined and that reports and conference reports on the budget resolution include a distribution of entitlement authority among committees of the House and Senate with jurisdiction over entitlement authority.

The proposals include suggested revisions of House rules that would permit consideration of appropriations bills containing rescissions of appropriations and transfers of unexpended balances. These suggestions are noted because their relationship to reform of the budget process is not apparent. Consequently, we would suggest that such revision be discussed, if change is considered necessary for some reason other than reform of the budget process, in a more appropriate forum.

I appreciate this opportunity to comment on your task force proposals.

Sincerely,

Melvin Price
Chairman

[Whereupon, at 2:06 p.m., the Task Force adjourned, subject to the call of the Chair.]

MP:bsj